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

**FORM 10-Q**

**(Mark One)**

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

**For the quarterly period ended September 30, 2021**

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

**For the transition period from ___ to ___**

**Commission file number: 001-34785**

# XpresSpa Group, Inc.

**(Exact Name of Registrant as Specified in its Charter)**

| | |
|---|---|
| **Delaware**<br>(State or other jurisdiction of incorporation or organization) | **20-4988129**<br>(I.R.S. Employer Identification No.) |
| **254 West 31st Street, 11th Floor, New York, NY**<br>(Address of principal executive offices) | **10001**<br>(Zip Code) |

(Registrant's Telephone Number, Including Area Code): **(212) 309-7549**

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock, par value $0.01 per share | XSPA | The Nasdaq Stock Market LLC |

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

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

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

| | | | |
|---|---|---|---|
| Large accelerated filer | ☐ | Accelerated filer | ☐ |
| Non-accelerated filer | ☒ | Smaller reporting company | ☒ |
| | | Emerging growth company | ☐ |

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

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

As of November 5, 2021, 105,662,421 shares of the registrant's common stock were outstanding.

**XpresSpa Group, Inc. and Subsidiaries**

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## PART I - FINANCIAL INFORMATION

### Item 1. Condensed Consolidated Financial Statements (Unaudited)

**XpresSpa Group, Inc. and Subsidiaries**
**CONDENSED CONSOLIDATED BALANCE SHEETS**
**(Unaudited)**
**(In thousands, except share and per share data)**

| | September 30, 2021 | December 31, 2020 |
|---|---|---|
| **Current assets** | | |
| Cash and cash equivalents (including $1,080 of variable interest entities (see note 3) as of September 30, 2021) | $ 109,161 | $ 89,801 |
| Accounts receivable, net | 64 | - |
| Inventory | 2,040 | 657 |
| Other current assets | 1,835 | 1,321 |
| **Total current assets** | 113,100 | 91,779 |
| | | |
| Restricted cash | 751 | 701 |
| Property and equipment, net | 4,532 | 4,161 |
| Intangible assets, net | 2,725 | 870 |
| Operating lease right of use assets | 5,667 | 3,034 |
| Other assets | 2,502 | 2,588 |
| **Total assets** | $ 129,277 | $ 103,133 |
| | | |
| **Current liabilities** | | |
| Accounts payable, accrued expenses and other | $ 8,724 | $ 6,468 |
| Current portion of operating lease liabilities | 2,797 | 2,797 |
| Deferred revenue | 24 | 914 |
| Current portion of promissory note, unsecured | 5,653 | 3,298 |
| **Total current liabilities** | 17,198 | 13,477 |
| | | |
| **Long-term liabilities** | | |
| Promissory note, unsecured | - | 2,355 |
| Operating lease liabilities | 8,156 | 6,930 |
| **Total liabilities** | 25,354 | 22,762 |
| **Commitments and contingencies (see Note 14)** | | |
| | | |
| **Equity** | | |
| Series A Convertible Preferred Stock, $0.01 par value per share; 6,968 shares authorized; none issued and outstanding | - | - |
| Series C Junior Preferred Stock, $0.01 par value per share; 300,000 shares authorized; none issued and outstanding | - | - |
| Series D Convertible Preferred Stock, $0.01 par value per share; 500,000 shares authorized; none issued and outstanding | - | - |
| Series E Convertible Preferred Stock, $0.01 par value per share, 2,397,060 shares authorized; none issued and outstanding | - | - |
| Series F Convertible Preferred Stock, $0.01 par value per share, 9,000 shares authorized; none issued and outstanding | - | - |
| Common Stock, $0.01 par value per share, 150,000,000 shares authorized; 105,327,379 and 94,058,853 shares issued and outstanding as of September 30, 2021 and December 31, 2020, respectively | 1,053 | 941 |
| Additional paid-in capital | 493,814 | 475,709 |
| Accumulated deficit | (398,550) | (398,624) |
| Accumulated other comprehensive loss | (283) | (220) |
| **Total equity attributable to XpresSpa Group, Inc.** | 96,034 | 77,806 |
| Noncontrolling interests | 7,889 | 2,565 |
| Total equity | 103,923 | 80,371 |
| **Total liabilities and equity** | $ 129,277 | $ 103,133 |

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

**XpresSpa Group, Inc. and Subsidiaries**
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**
**(Unaudited)**
**(In thousands, except share and per share data)**

| | Three months ended September 30, 2021 | Three months ended September 30, 2020 | Nine months ended September 30, 2021 | Nine months ended September 30, 2020 |
|---|---|---|---|---|
| **Revenue, net** | | | | |
| Managed services fees | $ - | $ - | $ 16,843 | $ - |
| Patient services revenue | 25,351 | - | 25,351 | - |
| Services | 1,158 | 93 | 1,761 | 6,779 |
| Products | 258 | 45 | 402 | 936 |
| Other | - | 63 | 14 | 347 |
| **Total revenue, net** | 26,767 | 201 | 44,371 | 8,062 |
| **Cost of sales** | | | | |
| Labor | 4,277 | 514 | 7,419 | 5,480 |
| Occupancy | 587 | 468 | 1,511 | 2,334 |
| Products and other operating costs | 8,798 | 423 | 16,592 | 1,737 |
| **Total cost of sales** | 13,662 | 1,405 | 25,522 | 9,551 |
| Depreciation and amortization | 852 | 1,424 | 2,542 | 3,875 |
| Impairment/disposal of assets | - | 2,227 | 22 | 6,319 |
| General and administrative | 5,196 | 4,368 | 14,350 | 10,972 |
| **Total operating expenses** | 19,710 | 9,424 | 42,436 | 30,717 |
| **Operating income (loss)** | 7,057 | (9,223) | 1,935 | (22,655) |
| Interest income (expense), net | 6 | (120) | 31 | (1,856) |
| Gain (loss) on revaluation of warrants and conversion options | - | 2,750 | - | (50,917) |
| Other non-operating expense, net | (381) | (47) | (830) | (389) |
| **Income (loss) before income taxes** | 6,682 | (6,640) | 1,136 | (75,817) |
| Income tax expense | (87) | (3) | (79) | (22) |
| **Net income (loss)** | 6,595 | (6,643) | 1,057 | (75,839) |
| Net (income) loss attributable to noncontrolling interests | (998) | 533 | (983) | 1,034 |
| **Net income (loss) attributable to XpresSpa Group, Inc.** | $ 5,597 | $ (6,110) | $ 74 | $ (74,805) |
| | | | | |
| **Net income (loss)** | $ 6,595 | $ (6,643) | $ 1,057 | $ (75,839) |
| Other comprehensive (loss) income from operations | (52) | 18 | (63) | 33 |
| **Comprehensive income (loss)** | $ 6,543 | $ (6,625) | $ 994 | $ (75,806) |
| | | | | |
| **Earnings / Loss per share** | | | | |
| **Basic and diluted net earnings / loss per share** | $ 0.05 | $ (0.10) | $ - | $ (2.15) |
| **Weighted-average number of shares outstanding during the period** | | | | |
| Basic | 105,531,418 | 61,106,894 | 103,950,731 | 35,309,004 |
| Diluted | 105,957,317 | 61,106,894 | 104,301,344 | 35,309,004 |

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

## XpresSpa Group, Inc. and Subsidiaries
## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
## (Unaudited)
**(In thousands, except share and per share data)**

| | Series E Preferred stock | | Series F Preferred stock | | Common stock | | Additional paid-in capital | Accumulated deficit | Accumulated other comprehensive loss | Total Company equity | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Shares | Amount | | | | | | |
| **December 31, 2020** | — | $ — | — | $ — | 94,058,853 | $ 941 | $ 475,709 | $ (398,624) | $ (220) | $ 77,806 | $ 2,565 | $ 80,371 |
| Warrant exercises, net of costs | — | — | — | — | 11,223,529 | 112 | 16,895 | — | — | 17,007 | — | 17,007 |
| Stock-based compensation | — | — | — | — | — | — | 264 | — | — | 264 | 741 | 1,005 |
| Net loss for the period | — | — | — | — | — | — | — | (1,056) | — | (1,056) | 248 | (808) |
| Foreign currency translation | — | — | — | — | — | — | — | — | (16) | (16) | — | (16) |
| Contributions from noncontrolling interests | — | — | — | — | — | — | — | — | — | — | 333 | 333 |
| **March 31, 2021** | — | $ — | — | $ — | 105,282,382 | $ 1,053 | $ 492,868 | $ (399,680) | $ (236) | $ 94,005 | $ 3,887 | $ 97,892 |
| Issuance of Common Stock for services | — | — | — | — | 223,637 | 2 | 318 | — | — | 320 | — | 320 |
| Issuance of restricted stock | — | — | — | — | 27,983 | — | — | — | — | — | — | — |
| Stock-based compensation | — | — | — | — | — | — | 267 | — | — | 267 | 61 | 328 |
| Net loss for the period | — | — | — | — | — | — | — | (4,467) | — | (4,467) | (263) | (4,730) |
| Foreign currency translation | — | — | — | — | — | — | — | — | 5 | 5 | — | 5 |
| Redemptions of certain noncontrolling interests | — | — | — | — | — | — | — | — | — | — | (133) | (133) |
| **June 30, 2021** | — | $ — | — | $ — | 105,534,002 | $ 1,055 | $ 493,453 | $ (404,147) | $ (231) | $ 90,130 | $ 3,552 | $ 93,682 |
| Stock-based compensation | — | — | — | — | — | — | 767 | — | — | 767 | 23 | 790 |
| Stock Grant for services | — | — | — | — | — | — | 29 | — | — | 29 | — | 29 |
| Consolidation of Variable Interest Entities | — | — | — | — | — | — | — | — | — | — | 4,307 | 4,307 |
| Issuance of restricted stock | — | — | — | — | 35,043 | — | — | — | — | — | — | — |
| Net income for the period | — | — | — | — | — | — | — | 5,597 | — | 5,597 | 998 | 6,595 |
| Foreign currency translation | — | — | — | — | — | — | — | — | (52) | (52) | — | (52) |
| Repurchase and retirement of common stock | — | — | — | — | (250,000) | (2) | (448) | — | — | (450) | — | (450) |
| Distributions to noncontrolling interests | — | — | — | — | — | — | — | — | — | — | (991) | (991) |
| Stock option exercises | — | — | — | — | 8,334 | — | 13 | — | — | 13 | — | 13 |
| **September 30, 2021** | — | $ — | — | $ — | 105,327,379 | $ 1,053 | $ 493,814 | $ (398,550) | $ (283) | $ 96,034 | $ 7,889 | $103,923 |

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

**XpresSpa Group, Inc. and Subsidiaries**
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)**
**(Continued)**
**(Unaudited)**
**(In thousands, except share and per share data)**

| | Series E Preferred stock | | Series F 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 | Shares * | Amount * | | | | | | |
| **December 31, 2019** | 977,865 | $ 10 | 8,996 | $ — | 5,157,390 | $ 52 | $ 302,118 | $ (308,136) | $ (283) | $ (6,239) | $ 3,703 | $ (2,536) |
| Issuances of Common Stock for payment of interest on B3D Note | — | — | — | — | 236,077 | 2 | 418 | — | — | 420 | — | 420 |
| Issuance of Series E Preferred Stock for payment of interest on Calm Note | 10,123 | — | — | — | — | — | 63 | — | — | 63 | — | 63 |
| Conversion of Series F Preferred Stock into Common Stock | — | — | (7,465) | — | 930,326 | 9 | (9) | — | — | 0 | — | 0 |
| Direct offerings of Common Stock and pre-funded warrants, net of costs | — | — | - | — | 8,210,239 | 82 | 4,176 | — | — | 4,258 | — | 4,258 |
| Exercise of May 2018 Class A Warrants into Common Stock | — | — | — | — | 2,578,455 | 26 | 3,096 | — | — | 3,122 | — | 3,122 |
| Conversion of B3D Note to Common Stock | — | — | — | — | 1,430,647 | 14 | 1,321 | — | — | 1,335 | — | 1,335 |
| Issuance of Common Stock for services | — | — | — | — | 58,333 | 1 | 134 | — | — | 135 | — | 135 |
| Stock-based compensation | — | — | — | — | — | — | 72 | — | — | 72 | — | 72 |
| Net loss for the period | — | — | — | — | — | — | — | (10,617) | — | (10,617) | (108) | (10,725) |
| Foreign currency translation | — | — | — | — | — | — | — | — | — | — | — | — |
| Contributions from noncontrolling interests | — | — | — | — | — | — | — | — | — | — | 117 | 117 |
| **March 31, 2020** | 987,988 | $ 10 | 1,531 | $ — | 18,601,467 | $ 186 | $ 311,389 | $ (318,753) | $ (283) | $ (7,451) | $ 3,712 | $ (3,739) |
| Issuance of Common Stock for payment of interest on B3D Note | — | — | — | — | 88,508 | 1 | 41 | — | — | 42 | — | 42 |
| Conversion of Series E Preferred Stock into Common Stock | (987,988) | (10) | — | — | 510,460 | 5 | 5 | — | — | — | — | — |
| Conversion of Series F Preferred Stock into Common Stock | — | — | (1,531) | — | 291,619 | 3 | (3) | — | — | — | — | — |
| Exercise of May 2018 Class A Warrants into Common Stock | — | — | — | — | 2,382,835 | 24 | 5,891 | — | — | 5,915 | — | 5,915 |
| Exercise of Calm Warrants into Common Stock | — | — | — | — | 1,622,149 | 16 | 4,092 | — | — | 4,108 | — | 4,108 |
| Exercise of March 2020 pre-funded warrants into Common Stock | — | — | — | — | 201,667 | 2 | 4 | — | — | 6 | — | 6 |
| March Warrant Exchange for Common Stock - Class A Warrant | — | — | — | — | 2,385,528 | 24 | 6,410 | — | — | 6,434 | — | 6,434 |
| March Warrant Exchange for Common Stock - Class D Warrant | — | — | — | — | 527,669 | 5 | (5) | — | — | — | — | — |
| June Warrant Exchange for Common Stock - Calm Warrant | — | — | — | — | 2,062,126 | 21 | 11,734 | — | — | 11,755 | — | 11,755 |
| Conversion of B3D Note to Common Stock | - | - | - | — | 10,789,591 | 108 | 14,197 | — | — | 14,305 | — | 14,305 |
| Conversion of Calm Note to Common Stock | — | — | — | — | 4,761,906 | 48 | 10,551 | — | — | 10,599 | — | 10,599 |
| Direct offerings of Common Stock and pre-funded warrants, net of costs | — | — | — | — | 12,235,911 | 122 | 38,275 | — | — | 38,397 | — | 38,397 |
| Stock-based compensation | — | — | — | — | — | — | 424 | — | — | 424 | — | 424 |
| Issuance of restricted stock | — | — | — | — | 12,500 | — | — | — | — | — | — | — |
| Fractional shares retired in reverse stock split | — | — | — | — | (23) | — | — | — | — | — | — | — |
| Foreign currency translation | — | — | — | — | — | — | — | — | 15 | 15 | — | 15 |
| Net loss for the period | — | — | — | — | — | — | — | (58,078) | — | (58,078) | (393) | (58,471) |
| Distributions to noncontrolling interests | — | — | — | — | — | — | — | — | — | — | (129) | (129) |
| **June 30, 2020** | — | $ — | — | $ — | 56,473,913 | $ 565 | $ 403,005 | $ (376,831) | $ (268) | $ 26,471 | $ 3,190 | $ 29,661 |
| Conversion of B3D Note to Common Stock | — | — | — | — | 1,276,270 | 13 | 3,350 | — | — | 3,363 | — | 3,363 |
| Stock-based compensation | — | — | — | — | — | — | 470 | — | — | 470 | — | 470 |
| Stock option exercises | — | — | — | — | 4,167 | — | 5 | — | — | 5 | — | 5 |
| Issuance of Common Stock for payment of interest on Calm Note | — | — | — | — | 47,305 | — | 35 | — | — | 35 | — | 35 |
| Direct offerings of Common Stock and pre-funded warrants, net of costs | — | — | — | — | 11,216,932 | 112 | 31,350 | — | — | 31,462 | — | 31,462 |
| Issuance of restricted stock | — | — | — | — | 58,301 | 1 | (1) | — | — | — | — | — |
| Foreign currency translation | — | — | — | — | — | — | — | — | 18 | 18 | — | 18 |
| Net loss for the period | — | — | — | — | — | — | — | (6,110) | — | (6,110) | (533) | (6,643) |
| **September 30, 2020** | — | $ — | — | — | 69,076,888 | 691 | 438,214 | (382,941) | (250) | 55,714 | 2,657 | 58,371 |

* Adjusted to reflect the impact of the 1:3 reverse stock split that became effective on June 11, 2020.

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

**XpresSpa Group, Inc. and Subsidiaries**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(Unaudited)**
**(In thousands)**

| | Nine months ended September 30, 2021 | Nine months ended September 30, 2020 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net income (loss) | $ 1,057 | $ (75,839) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Revaluation of warrants and conversion options | — | 50,917 |
| Depreciation and amortization | 2,542 | 3,875 |
| Impairment/disposal of assets | 22 | 6,319 |
| Accretion of debt discount on notes | — | 1,070 |
| Amortization of operating lease right of use asset | 1,162 | 1,568 |
| Issuance of shares of Common Stock for payment of interest | — | 497 |
| Issuance of shares of Series E Preferred Stock for payment of interest | — | 63 |
| Loss on the extinguishment of debt | — | 182 |
| Issuance of shares of Common Stock for services | 349 | 135 |
| Amortization of debt issuance costs | — | 125 |
| Stock-based compensation | 2,123 | 966 |
| Loss on equity investment | 716 | — |
| **Changes in assets and liabilities:** | | |
| (Increase) decrease in inventory | (1,385) | 9 |
| Decrease in accounts receivable, net | 74 | — |
| Decrease in deferred revenue | (890) | — |
| Other assets, current and non-current | 519 | (376) |
| Other liabilities, current and non-current | (3,035) | (4,286) |
| Increase (decrease) in accounts payable | 2,713 | (2,231) |
| **Net cash provided by (used) in operating activities** | 5,967 | (16,926) |
| **Cash flows from investing activities** | | |
| Acquisition of property and equipment | (2,650) | (3,099) |
| Cash acquired on consolidations of certain Variable Interest Entities | 2,434 | — |
| Acquisition of software | (2,156) | (380) |
| **Net cash used in investing activities** | (2,372) | (3,479) |
| **Cash flows from financing activities** | | |
| Proceeds from direct offerings of Common Stock and warrants exercises, net of costs | 17,007 | 74,125 |
| Proceeds from borrowings under Paycheck Protection Program | — | 5,653 |
| Proceeds from additional borrowing from B3D | — | 500 |
| Proceeds from stock option exercises | 13 | 5 |
| Proceeds from funding advance | — | 910 |
| Repayment of funding advance | — | (819) |
| Redemption of non-controlling interests | (133) | — |
| Repurchase of Common Stocks | (450) | — |
| Contributions from noncontrolling interests | 333 | 117 |
| Distributions to noncontrolling interests | (991) | (129) |
| **Net cash provided by financing activities** | 15,779 | 80,362 |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | 36 | 3 |
| Increase in cash, cash equivalents and restricted cash | 19,410 | 59,960 |
| Cash, cash equivalents, and restricted cash at beginning of the period | 90,502 | 2,635 |
| Cash, cash equivalents, and restricted cash at end of the period | $ 109,912 | $ 62,595 |
| **Cash paid during the period for** | | |
| Interest | $ — | $ 187 |
| Income taxes | $ — | $ 11 |
| **Non-cash investing and financing transactions** | | |
| Conversions of B3D Note into Common Stock | $ — | $ 19,003 |
| Conversions of Calm Note into Common Stock | $ — | $ 10,599 |
| Conversion and exchange of Calm Warrant into Common Stock | $ — | $ 15,863 |
| Exercise and exchanges of May 2018 Class A Warrants | $ — | $ 15,471 |
| Conversion of Series E Preferred Stock into Common Stock | $ — | $ 10 |
| Conversion of Series F Preferred Stock into Common Stock | $ — | $ 12 |

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

**XpresSpa Group, Inc. and Subsidiaries**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(Unaudited)**
**(In thousands, except for share and per share data)**

**Note 1. General**

***Overview***

XpresSpa Group, Inc. (“XpresSpa Group or the “Company”) is a leading global travel health and wellness services holding company. XpresSpa Group currently has three reportable operating segments: XpresSpa™, XpresTest™, and Treat™ brand.

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 (“XpresSpa”).

Through XpresSpa Group’s subsidiary, XpresTest, Inc. (“XpresTest”), the Company launched XpresCheck™ Wellness Centers, also in airports. XpresCheck offers COVID-19 and other medical diagnostic testing services to the traveling public, as well as airline, airport and concessionaire employees, and TSA and U.S. Customs and Border Protection agents. XpresTest has entered into managed services agreements (“the MSAs”) with Professional Corporation or Professional Limited Liability Companies (“PCs”) that provide health care services to patients. PCs pay XpresTest a monthly fee to operate in the XpresCheck Wellness Centers. Under the terms of the MSAs, the Company provides office space, equipment, supplies, non-licensed staff, and management services in return for a management fee. PCs arrange requisite COVID-19 and other medical diagnostic testing services through contracting with physicians and other medical professional providers to render these COVID-19 and other medical diagnostic testing services.

XpresSpa Group is developing Treat™, a travel health and wellness brand that is positioned for a post-pandemic world. The Company anticipates delivering on-demand access to integrated healthcare through technology and personalized services, while leveraging XpresSpa’s historic travel wellness experience and XpresTest’s healthcare expertise under the XpresCheck brand. The Company sees this concept evolution as an opportunity in a new niche industry where XpresSpa Group can leverage technology in addition to its existing real estate and airport experience, providing travelers with peace of mind and access to integrated care. Over the long-term, we envision that digital channels will provide growth opportunities beyond the Company’s airport locations, achieved through subscription-based services that provide care and tools supporting travel health and wellness. Furthermore, the Company anticipates offering upstream content that can be monetized through affiliate revenue as well as curated retail through ecommerce through the Company’s dedicated website, *www.treatcare.com* launched during the second quarter of 2021, later converting to *www.treat.com* during the third quarter of 2021.

***Basis of Presentation and Principles of Consolidation***

The unaudited interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) for interim financial information and the instructions to Article 8-03 of Regulation S-X, and should be read in conjunction with the Company’s Annual Report on Form 10-K for the year ended December 31, 2020, as amended. The condensed consolidated balance sheet as of December 31, 2020 was derived from the audited annual financial statements but does not include all information required by GAAP for annual financial statements. The 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 as well as variable interest entities of which we are the primary beneficiary. All adjustments that, in the opinion of management, are necessary for a fair presentation for the periods presented have been reflected by the Company. Such adjustments are of a normal, recurring nature. The results of operations for the three and nine months periods ended September 30, 2021 are not necessarily indicative of the results that may be expected for the entire fiscal year or for any other interim period. All significant intercompany balances and transactions have been eliminated in consolidation.

***Recent Developments***

**Effect of Novel Coronavirus (COVID-19) on Business**

In March 2020, the Company temporarily closed all global XpresSpa locations due to the categorization by local jurisdictions of the spa locations as "non-essential services." A majority of the Company's XpresSpa locations remain closed. The Company intends to reopen XpresSpa spa locations on a location-by-location basis and resume normal operations at such selected locations once restrictions are lifted and airport traffic returns to sufficient levels to support operations at a unit level. Between June 28th, 2021 and July 1st, 2021, the Company re-opened its four top performing XpresSpa™ locations with modified hours and top selling services: Hartsfield-Jackson Atlanta International Airport (ATL) Concourse A, Dallas/Fort Worth International Airport (DFW) Concourse A, Charlotte Douglas International Airport (CLT) Concourse D, and Las Vegas McCarran International Airport (LAS) Concourse D. There are also three XpresSpa locations operating in Dubai International Airport in the United Arab Emirates as well as three XpresSpa locations operating in Schiphol Amsterdam Airport in the Netherlands.

During the third quarter of 2021, the Company re-opened following XpresSpa™ locations with modified hours and top selling services:

- John F. Kennedy International Airport (JFK) on September 16, 2021;
- Charlotte Douglas International Airport (CLT) Concourse A/B on September 20, 2021.

During the fourth quarter of 2021 to date, the Company re-opened the following XpresSpa™ locations with modified hours and top selling services:

- Hartsfield-Jackson Atlanta International Airport (ATL) Concourse C on October 14, 2021;
- Orlando International Airport (MCO) on October 18, 2021;
- Dallas/Fort Worth International Airport (DFW) Concourse D on October 23, 2021;
- William P. Hobby Airport (HOU) on November 8, 2021.

A majority of the domestic XpresSpa locations are operating approximately eight hours per day (compared to 16 hours pre-pandemic) with sales volumes about 30% to 60% of pre-pandemic levels. The Company implemented a price increase in mid-October and is planning to test some new touchless massage services and new retail items during the fourth quarter.

The Company will re-evaluate each airport on a month-by-month basis as well as review continued learnings as the portfolio is re-activated. An additional two XpresSpa reopenings are planned for the remainder of the year.

Since the beginning of that temporary closure, the Company successfully launched its XpresCheck™ Wellness Centers, offering such testing services, as described above and below. Also, the Company continues to evaluate alternative testing protocols and work in partnership with airlines for safe travels.

While management has used all currently available information in assessing its business prospects, the ultimate impact of the COVID-19 pandemic and the Company's XpresCheck™ Wellness Centers on its results of operations, financial condition and cash flows remains uncertain. The success or failure of the Company's XpresCheck™ Wellness Centers could also have a material effect on the Company's business.

**XpresCheck™ Wellness Centers**

Through the Company's XpresCheck™ Wellness Centers and under the terms of the MSAs with physicians' practices, the Company offers testing services from the Company's 14 XpresCheck™ Wellness Centers at 12 Airports in 11 states to airline employees, contractors, concessionaire employees, TSA officers and U.S. Customs and Border Protection agents, as well as the traveling public. The Company has entered into MSAs with professional medical service entities that provide healthcare services to patients. Under the terms of the MSAs, XpresTest provides office space, equipment, supplies, non-licensed staff, and management services to be used for the purpose of COVID-19 and other medical diagnostic testing in return for a management fee. Since December 31, 2020, the Company announced the opening of the following XpresCheck™ Wellness Centers to provide diagnostic COVID-19 testing:

- On January 12, 2021, the Company opened its second XpresCheck™ Wellness Center at Boston's Logan International Airport. It contains four separate testing rooms to provide diagnostic COVID-19 testing.

- On January 20, 2021, the Company announced the opening of an XpresCheck™ Wellness Center at Salt Lake City International Airport. It contains four separate testing rooms to provide diagnostic COVID-19 testing.

- On February 16, 2021, the Company announced the opening of an XpresCheck™ Wellness Center of the Company's second XpresCheck™ testing facility at Newark Liberty International Airport. It contains four separate testing rooms to provide diagnostic COVID-19 testing.

- On March 8, 2021, the Company announced the opening of an XpresCheck™ Wellness Center at Houston George Bush Intercontinental Airport. It contains four separate testing rooms to provide diagnostic COVID-19 testing.

- On March 15, 2021, the Company announced the opening of XpresCheck™ Wellness Centers at Dulles International and Reagan National Airports in Virginia, containing nine and four separate testing rooms, respectively, to provide diagnostic COVID-19 testing.

- On April 8, 2021, the Company announced the opening of an XpresCheck™ Wellness Center at Seattle-Tacoma International Airport. It contains eight separate testing rooms to provide diagnostic COVID-19 testing.

- On April 21, 2021, the Company announced the opening of an XpresCheck™ Wellness Center at San Francisco International Airport. It contains nine separate testing rooms to provide diagnostic COVID-19 testing.

- On October 13, 2021, the Company opened an XpresCheck™ Wellness Center at Hartsfield-Jackson Atlanta International Airport (ATL) Concourse E. It contains six separate testing rooms to provide diagnostic COVID-19 testing.

**Airport Rent Concessions**

The Company has received rent concessions from landlords on a majority of our leases, allowing for the relief of minimum guaranteed payments in exchange for percentage-of-revenue rent or providing relief from rent through payment deferrals. Currently, the periods of relief from these payments, which began in March 2020, range from three to twenty-eight months. The Company received minimum guaranteed payment concessions of approximately $585 and $611 in the three months ended September 30, 2021 and 2020, respectively, $1,568 and $1,379 in the nine months ended September 30, 2021 and 2020, respectively, and $3,600 in the eighteen months ended September 30, 2021. The Company expects to realize additional rent concessions while a majority of its spas remain closed.

***Liquidity and Financial Condition***

As of September 30, 2021, the Company had cash and cash equivalents, excluding restricted cash, of $109,161, total current assets of $113,100, total current liabilities of $17,198 and positive working capital of $95,902, compared to a positive working capital of $78,302 as of December 31, 2020.

During the nine months ended September 30, 2021, holders of the Company's December 2020 Investor Warrants, December 2020 Placement Agent Warrants and December 2020 Placement Agent Tail Fee Warrants exercised a total of 11,223,529 warrants for common shares. The Company received gross proceeds of approximately $19,161. In accordance with the placement agent agreements with H.C. Wainwright & Co., LLC and Palladium, the Company paid cash fees of

$2,154 and issued 842,588 warrants to H.C. Wainwright & Co., LLC at an exercise price of $2.125 per share and 325,500 warrants to Palladium at an exercise price of $1.70 per share. See *Note 11. Stockholders' Equity* for related discussion.

**Note 2. Significant Accounting and Reporting Policies**

(a) ***Variable Interest Entities***

The Company evaluates its ownership, contractual, pecuniary, and other interests in entities to determine if it has any variable interest in a variable interest entity ("VIE"). These evaluations are complex and involve judgment. If the Company determines that an entity in which it holds a contractual or ownership interest is a VIE and that the Company is the primary beneficiary, the Company consolidates such entity in its consolidated financial statements. The primary beneficiary of a VIE is the party that meets both of the following criteria: (i) has the power to make decisions that most significantly affect the economic performance of the VIE; and (ii) has the obligation to absorb losses or the right to receive benefits that in either case could potentially be significant to the VIE. Management performs ongoing reassessments of whether changes in the facts and circumstances regarding the Company's involvement with a VIE will cause the consolidation conclusion to change. Changes in consolidation status are applied prospectively.

***(b) Revenue Recognition Policy***

The Company recognizes revenue from the sale of XpresSpa products and services when the services are rendered at XpresSpa stores 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. Revenues from the XpresSpa retail and e-commerce businesses are recorded at the time goods are shipped.

Through its XpresCheck™ Wellness Centers and under the terms of the Managed Services Agreement ("MSA") with PCs that in turn contract with physicians and Nurse Practitioners, the Company offers testing services to airline employees, contractors, concessionaire employees, TSA officers and U.S. Customs and Border Protection agents, as well as the traveling public. The Company has entered into MSAs with PCs that provide healthcare services to patients. Under the terms of the MSAs which may be modified for commercial reasonableness and fair market value, XpresTest provides office space, equipment, supplies, non-licensed staff, and management services to be used for the purpose of COVID-19 and other medical diagnostic testing in return for a management fee. However, as a result of uncertainties around the cash flows of the XpresCheck™ Wellness Centers, the Company concluded in 2020 that the collectability criteria to qualify as a contract under ASC 606 was not met, and therefore, revenue associated with the monthly management fee would not be recognized until a subsequent reassessment resulted in the MSAs meeting the collectability criteria. XpresTest recognized revenue of $16,843 (including catch-up revenue of $3,186 for 2020) during the six months ended June 30, 2021, under the MSAs, pursuant to reassessments in 2021, of the MSAs executed in 2020 and amended in 2021, and assessments and reassessments of MSAs executed and amended in 2021 until June 30, 2021, resulting in management's conclusion that they met the collectability criteria. Any revenue collected not meeting the collectability criteria was recorded as deferred revenue.

Effective, July 1, 2021 (see Note 3), the Company determined that the PCs are variable interest entities due to its equity holder having insufficient capital at risk, and the Company has a variable interest in the PCs. In pursuance, the total revenue of $25,351 for the PCs for the three months ended September 30, 2021 were designated as revenue for the company.

During the third quarter of 2021, the Company has been authorized to proceed with a $2,000, 8-week pilot program with the Centers for Disease Control and Prevention (CDC) through the Company's niche in XpresCheck™ COVID-19 testing. Under the 8-week pilot program, conducted in collaboration with Concentric by Ginkgo, XpresCheck™ will conduct biosurveillance monitoring, initially from India, at three major U.S. airports operating XpresCheck™ COVID-19 testing facilities, which will be aimed at identifying existing and new SARS-CoV-2 variants, including the highly contagious

Delta variant and other new variants surfacing in the U.S. The revenue on this contract which is based on certain milestones specified in the contract, would be booked through the 5 steps criteria of ASC 606 as and when a particular milestone is reached, pursuant to which the Company expects to recognize approximately $1,500 which is 75% of the contract consideration during the fourth quarter of 2021.

The Company has a franchise agreement with an unaffiliated franchisee to operate an XpresSpa location. Under the Company’s franchising model, all initial franchising fees relate to the franchise right, which is a single performance obligation that transfers over time. Upon receipt of the non-recurring, non-refundable initial franchise fee, management records a deferred revenue liability and recognizes revenue on a straight-line basis over the life of the franchise agreement.

The Company has also entered into collaborative agreements with marketing partners whereby it sells certain of its partners’ products in the Company’s XpresSpa spas. The Company acts as an agent for revenue recognition purposes and therefore records revenue net of the revenue share payable to the partners. Upon receipt of the non-recurring, non-refundable initial collaboration fee, management records a deferred revenue liability and recognizes revenue on a straight-line basis over the life of the collaboration agreement.

The Company excludes all sales taxes assessed to the Company’s customers from revenue. Sales taxes assessed on revenues are included in *Accounts payable, accrued expenses and other* on the Company’s condensed consolidated balance sheets until remitted to state agencies.

***(c) Recently issued accounting pronouncements***

*Accounting Standards Update No. 2020-06—Debt--Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40)*

Issued in August 2020, this update is intended to reduce the unnecessary complexity of the current guidance thus resulting in more accurate accounting for convertible instruments and consistent treatment from one entity to the next. Under current GAAP, there are five accounting models for convertible debt instruments. Except for the traditional convertible debt model that recognizes a convertible debt instrument as a single debt instrument, the other four models, with their different measurement guidance, require that a convertible debt instrument be separated (using different separation approaches) into a debt component and an equity or a derivative component. Convertible preferred stock also is required to be assessed under similar models. The Financial Accounting Standard Board (“FASB”) decided to simplify the accounting for convertible instruments by removing certain separation models currently included in other accounting guidance that were being applied to current accounting for convertible instruments. Under the amendments in this update, an embedded conversion feature no longer needs to be separated from the host contract for convertible instruments with conversion features that are not required to be accounted for as derivatives. Consequently, a convertible debt instrument will be accounted for as a single liability measured at its amortized cost and a convertible preferred stock will be accounted for as a single equity instrument measured at its historical cost, as long as no other features require bifurcation and recognition as derivatives. The FASB also decided to add additional disclosure requirements in an attempt to improve the usefulness and relevance of the information being provided.

The new standard is effective for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. The Company does not believe the adoption of this standard will have a material impact on its condensed consolidated financial statements.

*ASU 2021-04: Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity Classified Written Call Options*

In May 2021, the FASB issued ASU 2021-04, "Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity Classified Written Call Options'" ("ASU 2021-04"), which introduces a new way for companies to account for warrants either as stock compensation or derivatives. Under the new guidance, if the modification does not change the instrument's classification as equity, the company accounts for the modification as an exchange of the original instrument for a new instrument. In general, if the fair value of the "new" instrument is greater than the fair value of the "original" instrument, the excess is recognized based on the substance of the transaction, as if the issuer has paid cash. The effective date of the standard is for interim and annual reporting periods beginning after December 15, 2021 for all entities, and early adoption is permitted. The Company is currently evaluating the impact of the new guidance and does not expect the adoption of this guidance will have a material impact on its condensed consolidated financial statements and disclosures.

***(d) Recently adopted accounting pronouncements***

*Accounting Standards Update No. 2020-10—Codification Improvements*

Issued in October 2020, this release updates various codification topics by clarifying or improving disclosure requirements to align with the SEC's regulations. The Company adopted ASU 2020-10 as of the reporting period beginning January 1, 2021. The adoption of this update did not have a material effect on the Company's condensed consolidated financial statements.

*Accounting Standards Update No. 2020-01, Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)—Clarifying the Interactions between Topic 321, Topic 323, and Topic 815*

Issued in January 2020, the amendments in this update affect all entities that apply the guidance in Topics 321, 323, and 815 and (1) elect to apply the measurement alternative or (2) enter into a forward contract or purchase an as option to purchase securities that, upon settlement of the forward contract or exercise of the purchased option, would be accounted for under the equity method of accounting. The Company applies the guidance included in Topic 815 to its derivative liabilities but does not intend on applying the new measurement alternative included in the update. The new standard is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. Adoption of this standard did not have a material impact on the Company's condensed consolidated financial statements.

*Accounting Standards Update No. 2019-12—Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*

Issued in December 2019, the amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The amendments in this update simplify *the accounting for income taxes by removing certain exceptions to guidance in Topic 740.* The specific areas of potential simplification were submitted by stakeholders as part of the FASB's simplification initiative. Adoption of this standard did not have a material impact on the Company's condensed consolidated financial statements.

***(e) Presentation***

Certain balances in the 2020 consolidated financial statements have been reclassified to conform to the presentation in the 2021 condensed consolidated financial statements, primarily the classification and presentation of deferred revenue on the condensed consolidated balance sheet.

**Note 3. Variable Interest Entities**

Through its XpresCheck™ Wellness Centers the Company provides services pursuant to contracts with PCs which in turn contracts with physicians and other medical professional providers to render COVID-19 and other medical diagnostic testing services to airline employees, contractors, concessionaire employees, TSA officers and U.S. Customs and Border Protection agents, and the traveling public. The PCs collectively represent the Company's affiliated medical group. The PCs were designed and structured to comply with the relevant laws and regulations governing professional medical practice, which generally prohibits the practice of medicine by lay persons or entities. All of the issued and outstanding equity interests of the PCs are owned by a licensed medical professional nominated by the Company (the "Nominee Shareholder"). Upon formation of the PCs, and initial issuance of equity interests, the Nominee Shareholder contributes a nominal amount of capital in exchange for their interest in the PC. The Company then executes with each PC a MSA, which provide for various administrative services, management services and day-to-day activities of the practice to be rendered by the Company through its XpresCheck™ Wellness Centers.

The Company also has exclusive responsibility for the provision of all nonmedical services including contracting with customers who access the PCs for a medical visit, handling all financial transactions and day-to-day operations of each PC, overseeing the establishment of COVID-19 and other medical diagnostic testing services policies, and making recommendations to the PC in establishing the guidelines for the employment and compensation of the physicians and other employees of the PCs. Until June 30, 2021, MSA Fees were commensurate with the expected level of activity required to be billed by XpresCheck™ Wellness Centers. Therefore, these PCs were assessed not to be variable interest entities prior to July 1, 2021.

Effective, July 1, 2021, contractual arrangements between the company, the company's affiliated medical group and nominated shareholder were modified in a manner that changes the characteristics or adequacy of the nominee shareholders equity investment at risk and residual returns. Therefore, due to reassessment triggered by the development on July 1, 2021, the Company determined that the PCs are now variable interest entities. Notwithstanding their legal form of ownership of equity interests in the PC, the primary beneficiary of the affiliated medical group is the Company as it meets both of the following criteria: (i) has the power to make decisions that most significantly affect the economic performance of the affiliated medical group; and (ii) has the obligation to absorb losses or the right to receive benefits that in either case could potentially be significant to the affiliated medical group. The Company consolidated the PCs under the VIE model since the Company has the power to direct activities that most significantly impact the PCs economic performance and the right to receive benefits or the obligation to absorb losses that could potentially be significant to the PCs.

The aggregate carrying value of total assets and total liabilities included on the condensed consolidated balance sheets for the PCs after elimination of intercompany transactions were $1,080, primarily cash, and $0, respectively, as of September 30, 2021. The total revenue and net loss included on the condensed consolidated statements of operations and comprehensive income (loss) for the PCs after elimination of intercompany transactions was $25,351 and $455 for the three months ended September 30, 2021.

**Note 4. Potentially Dilutive Securities**

The table below presents the computation of basic and diluted net loss per share of Common Stock:

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| **Basic numerator:** | | | | |
| Net income (loss) attributable to XpresSpa Group, Inc. | $ 5,597 | $ (6,110) | $ 74 | $ (74,805) |
| Less: deemed dividend on warrants and preferred stock | — | — | — | (945) |
| Net income (loss) attributable to common shareholders | $ 5,597 | $ (6,110) | $ 74 | $ (75,750) |
| **Basic denominator:** | | | | |
| Basic weighted average shares outstanding | 105,531,418 | 61,106,894 | 103,950,731 | 35,309,004 |
| Basic income (loss) per share | $ 0.05 | $ (0.10) | $ — | $ (2.15) |
| **Diluted numerator:** | | | | |
| Net income (loss) attributable to common shareholders | $ 5,597 | $ (6,110) | $ 74 | $ (75,750) |
| **Diluted denominator:** | | | | |
| Diluted weighted average shares outstanding | 105,957,317 | 61,106,894 | 104,301,344 | 35,309,004 |
| Diluted net income (loss) per share | $ 0.05 | $ (0.10) | $ — | $ (2.15) |
| | | | | |
| **Net income (loss) per share data presented above excludes from the calculation of diluted net income (loss) the following potentially dilutive securities, having an anti-dilutive impact.** | | | | |
| Both vested and unvested options to purchase an equal number of shares of Common Stock | 2,606,771 | 706,073 | 2,631,246 | 706,073 |
| Unvested RSUs to issue an equal number of shares of Common Stock | 821,361 | — | 876,131 | — |
| Warrants to purchase an equal number of shares of Common Stock | 37,907,794 | 20,818,889 | 37,903,835 | 20,818,889 |
| Convertible notes on an as converted basis | — | 438,017 | — | 438,017 |
| **Total number of potentially dilutive securities excluded from the calculation of loss per share attributable to common shareholders** | 41,335,926 | 21,962,979 | 41,411,212 | 21,962,979 |

**Note 5. Cash, Cash Equivalents, and Restricted Cash**

A reconciliation of the Company's cash and cash equivalents in the Condensed Consolidated Balance Sheets to cash, cash equivalents and restricted cash in the Condensed Consolidated Statements of Cash Flows as of September 30, 2021 and December 31, 2020 is as follows:

| | September 30, 2021 | December 31, 2020 |
|---|---|---|
| Cash denominated in United States dollars | $ 106,384 | $ 88,636 |
| Cash denominated in currency other than United States dollars | 2,274 | 1,158 |
| Restricted cash | 751 | 701 |
| Other | 503 | 7 |
| Total cash, cash equivalents and restricted cash | $ 109,912 | $ 90,502 |

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. As of September 30, 2021 and December 31, 2020, deposits in excess of FDIC limits were $106,120 and $88,556, respectively. As of September 30, 2021 and December 31, 2020, the Company held cash balances in overseas accounts, totaling $2,274 and $1,158 respectively, which are not insured by the FDIC. 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 6. Other current assets**

| | September 30, 2021 | December 31, 2020 |
|---|---|---|
| Prepaid expenses | $ 1,787 | $ 1,135 |
| Other | 48 | 186 |
| Total other current assets | $ 1,835 | $ 1,321 |

**Note 7. Accounts payable, accrued expenses and other**

| | September 30, 2021 | December 31, 2020 |
|---|---|---|
| Accounts payable | $ 5,436 | $ 2,440 |
| Litigation accrual | 890 | 2,221 |
| Accrued compensation | 396 | 306 |
| Tax-related liabilities | 534 | 551 |
| Gift certificates and loyalty reward program liabilities | 495 | 495 |
| Common Area Maintenance Accrual | 298 | — |
| Security deposit | 171 | 161 |
| Other | 504 | 294 |
| Total accounts payable, accrued expenses and other current liabilities | $ 8,724 | $ 6,468 |

**Note 8. Intangible Assets**

The following table provides information regarding the Company's intangible assets subject to amortization, which consist of the following:

| | September 30, 2021 | | | December 31, 2020 | | |
|---|---|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Trade name | $ 1,339 | $ (1,063) | $ 276 | $ 1,339 | $ (899) | $ 440 |
| Software | 2,849 | (400) | 2,449 | 694 | (264) | 430 |
| Total intangible assets | $ 4,188 | $ (1,463) | $ 2,725 | $ 2,033 | $ (1,163) | $ 870 |

The Company's trade name relates to the value of the XpresSpa™ and trade names, and software relates to certain capitalized third-party costs related to a new point-of-sale system and website. Increase in software expenditure relates to the development of the Treat™ brand.

The Company's intangible assets are amortized over their expected useful lives. The Company recorded amortization expense of $95 and $603 during the three months ended September 30, 2021 and 2020, respectively, and $300 and $1,742 during the nine months ended September 30, 2021 and 2020, respectively.

Based on the intangible assets balance as of September 30, 2021, the estimated amortization expense for the remainder of the calendar year and each of the succeeding calendar years is as follows:

| Calendar Years ending December 31, | Amount |
|---|---|
| Remaining 2021 | 192 |
| 2022 | 1,118 |
| 2023 | 786 |
| 2024 | 629 |
| Total | $ 2,725 |

**Note 9. Leases**

The Company leases its retail and diagnostic testing locations at various domestic and international airports. Additionally, the Company leases its corporate office in New York City. Certain leases entered into by the Company fall under ASU No. 2016-02, *Leases* ("ASC 842"). At inception, the Company determines if a lease qualifies under ASC 842. Certain of the Company's lease arrangements contain fixed payments throughout the term of the lease, while others involve a variable component to determine the lease obligation wherein a certain percentage of sales is used to calculate the lease payment.

All qualifying leases held by the Company are classified as operating leases. Operating lease right of use assets represent the Company's right to use an underlying asset for the lease term and operating lease liabilities represent its obligation to make lease payments arising from the lease. Operating lease right of use assets and operating lease liabilities are recognized as of the commencement date based on the present value of lease payments over the lease term. The Company records its operating lease right of use assets and operating lease liabilities based on required guaranteed payments under each lease agreement. The Company uses its incremental borrowing rate as of the commencement date of the lease, which approximates the rate at which the Company can borrow funds on a secured basis, in determining the present value of the guaranteed lease payments.

The Company reviews all of its existing lease agreements on a quarterly basis to determine whether there were any modifications to existing lease agreements and to assess if any leases should be accounted for pursuant to the guidance in ASC 842. The Company recalculates the right of use asset and lease liability based on the modified lease terms and adjusts both balances accordingly.

The Company has received rent concessions from landlords on a majority of its leases, allowing for the relief of minimum guaranteed payments in exchange for percentage-of-revenue rent or providing relief from rent through payment deferrals. Currently, the periods of relief from these payments, which began in March 2020, range from three to twenty-eight months and are still in effect for some of the affected leases. The Company received minimum guaranteed payment concession of approximately $585 and $611 in the three months ended September 30, 2021 and 2020, respectively, $1,568 and $1,379 in the nine months ended September 30, 2021 and 2020, respectively, and $3,600 in the eighteen months ended September 30, 2021. The Company expects to realize additional rent concessions while a majority of its spas remain closed.

The Financial Accounting Standards Board ("FASB") issued a Q&A in March 2020 that focused on the application of lease guidance in ASC 842 for lease concessions related to the effects of COVID-19. The FASB staff has said that entities can elect to not evaluate whether concessions granted by lessors related to COVID-19 are lease modifications. Entities that make this election can then apply the lease modification guidance in ASC 842 or account for the concession as if it were contemplated as part of the existing contract. XpresSpa has elected to not treat the concessions as lease modifications and will instead account for the lease concessions as if they were contemplated as part of the existing leases.

When a lessor grants a concession that contractually releases a lessee from certain lease payments or defers lease payments, a lessee may account for the concession as a negative variable lease payment and recognize negative variable lease expense in the period when the rent concession becomes accruable. The Company has recorded negative variable lease expense and adjusted lease liabilities at the point in which the rent concession has become accruable.

Supplemental cash flow information related to leases for the nine months ended September 30, 2021 and 2020 were as follows:

| | Nine months ended September 30, | |
|---|---|---|
| | **2021** | **2020** |
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash flows from operating leases | $ (3,189) | $ (1,074) |
| Leased assets obtained in exchange for new and modified operating lease liabilities | $ (3,673) | $ (811) |
| Leased assets surrendered in exchange for termination of operating lease liabilities | $ 9 | $ — |

As of September 30, 2021, operating leases contain the following future minimum commitments:

| Calendar Years ending December 31, | Amount |
|---|---|
| Remaining 2021 | $ 986 |
| 2022 | 3,551 |
| 2023 | 3,071 |
| 2024 | 2,545 |
| 2025 | 1,760 |
| Thereafter | 1,526 |
| Total future lease payments | 13,439 |
| Less: interest expense at incremental borrowing rate | (2,486) |
| Net present value of lease liabilities | $ 10,953 |

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

| | |
|---|---|
| Weighted average remaining lease term: | 4.27 years |
| Weighted average discount rate used to determine present value of operating lease liability: | 10.07 % |

Cash paid for minimum annual rental obligations during the three and nine months ended September 30, 2021 was $185 and $399, respectively. Cash paid for minimum annual rental obligations during three and nine months ended September 30, 2020 was $278 and $1,074, respectively.

Variable lease payments that are calculated monthly as a percentage of product and services revenue, were $51 and $45 for the three months ended September 30, 2021 and 2020, respectively, and $262 and $468 for the nine months ended September 30, 2021 and 2020, respectively.

**Note 10. Debt**

Total Debt as of September 30, 2021 and December 31, 2020 is comprised of the following:

| | September 30, 2021 | December 31, 2020 |
|---|---|---|
| Promissory note, unsecured | $ 5,653 | $ 5,653 |
| Total debt | $ 5,653 | $ 5,653 |

*Paycheck Protection Program*

On May 1, 2020, the Company entered into a U.S. Small Business Administration ("SBA") Paycheck Protection Program ("the PPP") promissory note in the principal amount of $5,653 payable to Bank of America, NA ("Bank of America") evidencing a PPP loan (the "PPP Loan"). The PPP Loan bears interest at a rate of 1% per annum. No payments were due on the PPP Loan during a six-month deferral period commencing on May 2, 2020. Commencing one month after the expiration of the deferral period and continuing on the same day of each month thereafter until the maturity date of the PPP Loan, the Company is obligated to make monthly payments of principal and interest, each in such equal amount required to fully amortize the principal amount outstanding on the PPP Loan by the maturity date. The maturity date is May 2, 2022. The principal amount of the PPP Loan is subject to forgiveness under the PPP upon the Company's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the PPP. Bank of America may forgive interest accrued on any principal forgiven if the SBA pays the interest. Currently, the Company is paying its monthly principal and interest related to the PPP Loan when due. The PPP Loan contains customary borrower default provisions and lender remedies, including the right of Bank of America to require immediate repayment in full the outstanding principal balance of the PPP Loan with accrued interest. As of September 30, 2021, $78 of interest has been accrued and is included in Accounts payable, accrued expenses and other in the condensed consolidated balance sheet.

**Note 11. Stockholders' Equity**

*Warrants*

The following table represents the activity related to the Company's warrants during the nine months ended September 30, 2021.

| | No. of Warrants | Exercise price range |
|---|---|---|
| December 31, 2020 | 48,044,381 | $0.525 – 300.00 |
| Granted | 1,168,088 | $ 1.70 - 2.125 |
| Exercised | (11,223,529) | $ 1.70 - 2.125 |
| Expired | (278) | $ 300.00 |
| September 30, 2021 | 37,988,662 | $ 0.525 - 6.566 |

During the nine months ended September 30 2021, holders of the Company's December 2020 Investor Warrants, December 2020 Placement Agent Warrants and December 2020 Placement Agent Tail Fee Warrants exercised warrants for a total of 11,223,529 common shares. The Company received gross proceeds of approximately $19,161. In accordance with the placement agent agreements with H.C. Wainwright & Co., LLC and Palladium, the Company paid cash fees of $2,154 and issued 842,588 warrants to H.C. Wainwright & Co., LLC at an exercise price of $2.125 per share and 325,500 warrants to Palladium at an exercise price of $1.70 per share.

*Share Repurchase Program*

On August 31, 2021, the Company's board of directors authorized a stock repurchase program that permits the purchase and repurchase of up to 15 million shares of its common stock. The new authorization is currently effective and will be in effect through September 15, 2022. Under the new stock repurchase program, management has discretion in determining the conditions under which shares may be purchased from time to time. The program does not require us to repurchase any specific number of shares, and may be modified, suspended or terminated at any time without prior notice. Under the program, the Company purchased and retired 250,000 shares for $450 during the three and nine months ended September 30, 2021.

*Stock-based Compensation*

In September 2020, the Board of Directors approved a new stock-based compensation plan available to grant stock options, restricted stock and RSU's to the Company's directors, employees and consultants. Under the 2020 Equity Incentive Plan (the "2020 Plan"), a maximum of 5,000,000 shares of Common Stock may be issued, subject to receiving shareholder approval which was subsequently obtained on October 28, 2020. 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. RSUs granted generally vest over a period of one year.

In September 2020, XpresTest created a stock-based compensation plan available to grant stock options, restricted stock and RSU's to the XpresTest's directors, employees and consultants. Under the XpresTest 2020 Equity Incentive Plan (the

"XpresTest Plan"), a maximum of 200 shares of XpresTest common stock may be awarded, which would represent 20% of the total number of shares of common stock of XpresTest as of September 30, 2021. Certain named executive officers, consultants, and directors of the Company are eligible to participate in the XpresTest Plan. The XpresTest Plan RSAs vest upon satisfaction of certain service and performance-based conditions. The fair value of the XpresTest Plan RSAs is determined based on the weighted average of (i) Fair Value of XpresTest under the Indirect Valuation Method developing assumptions for XpresSpa Net Market Cap and XpresSpa standalone Fair Value, and (ii) Direct Valuation Method developing assumptions for XpresTest Representative Forecasted Revenue for 2021 and Peer companies Revenue's Multiples. As of September 30, 2021, there is $14 of unrecognized stock-based compensation related to the XpresTest Plan. During May 2021, XpresTest repurchased seven common shares, exercised pursuant to the XpresTest Plan, for the grantees to defray their tax liabilities related to the XpresTest Plan RSAs 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 Company uses the simplified method to estimate the expected term of options due to insufficient history and high turnover in the past.

The following variables were used as inputs in the model:

| | | |
|---|---|---|
| Share price of the Company's Common Stock on the grant date: | $ | 1.26 - 5.01 |
| Exercise price: | $ | 1.26 - 5.01 |
| Expected volatility: | | 123 % |
| Expected dividend yield: | | 0 % |
| Annual average risk-free rate: | | 0.37 % |
| Expected term: | | 5.38 years |

Total stock-based compensation for the three months ended September 30, 2021 and 2020 is $819 and $470, respectively, and for the nine months ended September 30, 2021 and 2020 is $2,152 and $496, respectively.

Total following table sets forth the Company's Equity Incentive activities for the nine months ended September 30, 2021:

| | RSUs | | XpresTest RSAs | | Stock options | | |
|---|---|---|---|---|---|---|---|
| | No. of RSUs | Weighted average grant date fair value | No. of RSAs | Weighted average grant date fair value | No. of options | Weighted average exercise price | Exercise price range |
| Outstanding as of December 31, 2020 | — | $ — | 28.75 | $ 11,390.35 | 1,353,888 | $ 3.82 | $1.53 - 2,460.00 |
| Granted | 1,370,167 | 1.58 | 120.00 | 5,227.20 | 1,668,297 | 1.56 | 1.19 - 1.61 |
| Exercised/Vested | (427,625) | 1.50 | (141.25) | 6,229.35 | (8,334) | 1.53 | |
| Forfeited | — | — | — | — | (183,230) | 1.61 | |
| Outstanding as of September 30, 2021 | 942,542 | $ 1.61 | 7.50 | $ 9,978.78 | 2,830,621 | $ 2.63 | $1.19 - 2,460.00 |
| Exercisable as of September 30, 2021 | | | | | 858,905 | $ 2.63 | $1.19 - 2,460.00 |

**Note 12. Fair Value Measurements**

Fair value measurements are determined based on assumptions that a market participant would use in pricing an asset or a liability. A three-tiered hierarchy distinguishes between market participant assumptions based on (i) observable inputs such as quoted prices in active markets (Level 1), (ii) inputs other than quoted prices in active markets that are observable either directly or indirectly (Level 2) and (iii) unobservable inputs that require the Company to use present value and other valuation techniques in the determination of fair value (Level 3).

The following table presents the placement in the fair value hierarchy measured at fair value on a recurring basis as of September 30, 2021 and December 31, 2020:

| | | Fair value measurement at reporting date using | | |
|---|---|---|---|---|
| | **Balance** | **Quoted prices in active markets for identical assets (Level 1)** | **Significant other observable inputs (Level 2)** | **Significant unobservable inputs (Level 3)** |
| **As of September 30, 2021:** | | | | |
| **Recurring fair value measurements** | | | | |
| Equity securities: | | | | |
| Route1, Inc. | $ 1,052 | $ — | $ 1,052 | $ — |
| Total equity securities | 1,052 | — | 1,052 | — |
| Total recurring fair value measurements | $ 1,052 | $ — | $ 1,052 | $ — |
| **As of December 31, 2020** | | | | |
| **Recurring fair value measurements** | | | | |
| Equity securities: | | | | |
| Route1 | $ 1,768 | $ — | $ 1,768 | $ — |
| Total equity securities | 1,768 | — | 1,768 | — |
| Total recurring fair value measurements | $ 1,768 | $ — | $ 1,768 | $ — |

Equity securities pertain to common shares in Route1, Inc. obtained in the 2018 sale of Group Mobile to Route 1, Inc. On March 22, 2021, the Company executed a cashless exercise of warrants to purchase 3,000,000 common shares of Route 1, Inc. In exchange, the Company received 1,355,443 common shares of Route 1, Inc., bringing the total number of shares owned to 3,855,443. For the three and nine months ended September 30, 2021, the Company recorded an unrealized loss of $302 and $716, respectively, in connection with the remeasurement of the common shares of Route 1, Inc.

In addition to the above, the Company's financial instruments as of September 30, 2021 and December 31, 2020 consisted of cash and cash equivalents, receivables, accounts payable and debt. The carrying amounts of all the aforementioned financial instruments approximate fair value because of the short-term maturities of these instruments.

## Note 13. Income Taxes

The Company's provision for income taxes consists of federal, state, local, and foreign taxes in amounts necessary to align the Company's year-to-date provision for income taxes with the effective tax rate that the Company expects to achieve for the full year. Each quarter, the Company updates its estimate of the annual effective tax rate and records cumulative adjustments as deemed necessary. The income tax provision for the nine months ended September 30, 2021 reflect an estimated global annual effective tax rate of approximately (0.13)% from continuing operations. Discontinued operations for the nine months ended September 30, 2021 reflected an annual effective tax rate of 0%.

As of September 30, 2021, deferred tax assets generated from the Company's U.S. activities were offset by a valuation allowance because realization depends on generating future taxable income, which, in the Company's estimation, is not more likely than not to be generated before such net operating loss carryforwards expire. Net operating loss carryforwards generated after December 31, 2017 do not expire. The Company expects its effective tax rate for its current fiscal year to be significantly lower than the statutory rate as a result of a full valuation allowance; therefore, any loss before income taxes does not generate a corresponding income tax benefit.

Income tax expense for the nine months ended September 30, 2021 was $79 which was attributed to state taxing jurisdictions in which a measure of income is utilized to determine a tax liability. The final annual tax rate cannot be determined until the end of the fiscal year; therefore, the actual tax rate could differ from current estimates.

**Note 14. Commitments and Contingencies**

***Litigation and legal proceedings***

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.

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 $890 and $2,221 as of September 30, 2021 and December 31, 2020, respectively, which is included in *Accounts payable, accrued expenses and other current liabilities* in the condensed consolidated balance sheets.

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

*Cordial*

Effective October 2014, XpresSpa terminated its former Airport Concession Disadvantaged Business Enterprise ("ACDBE") partner, Cordial Endeavor Concessions of Atlanta, LLC ("Cordial"), in several store locations at Hartsfield-Jackson Atlanta International Airport.

Cordial filed a series of complaints with the City of Atlanta, both before and after the termination, in which Cordial alleged, among other things, that the termination was not valid and that XpresSpa unlawfully retaliated against Cordial when Cordial raised concerns about the joint venture. In response to the numerous complaints it received from Cordial, the City of Atlanta required the parties to engage in two mediations.

After the termination of the relationship with Cordial, XpresSpa sought to substitute two new ACDBE partners in place of Cordial.

In April 2015, Cordial filed a complaint with the United States Federal Aviation Administration ("FAA"), which oversees the City of Atlanta with regard to airport ACDBE programs, and, in December 2015, the FAA instructed that the City of Atlanta review XpresSpa's request to substitute new partners in lieu of Cordial and Cordial's claims of retaliation. In response to the FAA instruction, pursuant to a corrective action plan approved by the FAA, the City of Atlanta held a hearing in February 2016 and ruled in favor of XpresSpa on such substitution and claims of retaliation. Cordial submitted a further complaint to the FAA claiming that the City of Atlanta was biased against Cordial and that the City of Atlanta's decision was wrong. In August 2016, the parties met with the FAA. On October 4, 2016, the FAA sent a letter to the City of Atlanta directing that the City of Atlanta retract previous findings on Cordial's allegations and engage an independent third party to investigate issues previously decided by Atlanta. The FAA also directed that the City of Atlanta determine monies potentially due to Cordial.

On January 3, 2017, XpresSpa filed a lawsuit in the Supreme Court of the State of New York, County of New York, against Cordial and several related parties. The lawsuit alleges breach of contract, unjust enrichment, breach of fiduciary duty, fraudulent inducement, fraudulent concealment, tortious interference, and breach of good faith and fair dealing. XpresSpa is seeking damages, declaratory judgment, and rescission/termination of certain agreements, disgorgement of revenue, fees and costs, and various other relief. On February 21, 2017, the defendants filed a motion to dismiss. On March 3, 2017, XpresSpa filed a first amended complaint against the defendants. On April 5, 2017, Cordial filed a motion to dismiss. On September 12, 2017, the Court held a hearing on the motion to dismiss. On November 2, 2017, the Court granted the motion to dismiss which was entered on November 13, 2017. On December 22, 2017, XpresSpa filed a notice of appeal, and on September 24, 2018, XpresSpa perfected its appellate rights and submitted a brief to the Supreme Court of New York, First Department appellate court. Oral argument on the appeal went forward on March 20, 2019.

On March 30, 2018, Cordial filed a lawsuit against XpresSpa Group, a subsidiary of XpresSpa Group, and several additional parties in the Superior Court of Fulton County, Georgia, alleging the violation of Cordial's civil rights, tortious interference, breach of fiduciary duty, civil conspiracy, conversion, retaliation, and unjust enrichment. Cordial threated to seek punitive damages, attorneys' fees and litigation expenses, accounting, indemnification, and declaratory judgment as to the status of the membership interests of XpresSpa and Cordial in the joint venture and Cordial's right to profit distributions and management fees from the joint venture. On May 4, 2018, the defendants moved the lawsuit to the United States District Court for the Northern District of Georgia. On August 9, 2018, the Court granted an additional extension of time for the defendants' response until September 7, 2018, and thereafter provided another extension pending the Court's consideration of XpresSpa's Motion to Stay all action in the Georgia lawsuit, pending resolution of the New York lawsuit and the FAA action. On October 29, 2018, XpresSpa's Motion to Stay was denied. Prior to resolution of the Motion to Stay, Cordial filed a Motion for Temporary Restraining Order ("TRO Motion"), seeking to enjoin the defendants and specifically XpresSpa, from, among other things, distributing any cash flow, net profits, or management fees, or otherwise expending resources beyond necessary operating expenses. XpresSpa filed an opposition and, in a decision entered December 26, 2018, the Court denied Cordial's TRO Motion entirely. Defendants filed a Motion to Dismiss the Complaint in its entirety on November 20, 2018.

A Director's Determination was issued by the FAA in connection with the Part 16 Complaint ("Part 16 Proceeding") filed by Cordial against the City of Atlanta ("City") in 2017 ("Director's Determination"). The Company and Cordial were not parties to the FAA action, and had no opportunity to present evidence or otherwise be heard in such action. The Director's Determination concluded that the City was not in compliance with certain Federal obligations concerning the federal government's ACDBE program, including relating to the City's oversight of the Joint Venture Operating Agreement between the Company and Cordial, Cordial's termination, and Cordial's retaliation and harassment claims, and the City was ordered to achieve compliance in accordance with the Director's Determination. The Director's Determination does not constitute a Final Agency Decision and it is not subject to judicial review, pursuant to 14 CFR § 16.247(b)(2). Because the Company is not a party to the Part 16 Proceeding, the Company would not be considered "a party adversely affected by the Director's Determination" with a right of appeal to the FAA Assistant Administrator for Civil Rights.

On August 7, 2019, the Company filed a response, advising the U.S. District Court that: (i) the Company is not party to the FAA proceeding and therefore had no opportunity to present evidence or otherwise be heard in such action; (ii) as non-party, the Company is not bound by the Director's Determination; and (iii) the FAA cannot dictate the interpretation or enforceability of the contract between Cordial and the Company, which is the subject of the U.S. District Court action initiated by Cordial and the New York State Court action initiated by the Company.

On August 16, 2019, the Court entered an Order granting, in part, the Company's Motion to Dismiss. The Court dismissed all federal claims alleged in the Complaint against all Defendants, declined to exercise supplemental jurisdiction pursuant to 28 U.S.C. § 1367(c) over the remaining state law claims alleged in the Complaint, and remanded the case to the Superior Court of Fulton County. Plaintiffs filed an appeal of the federal court's decision to the Eleventh Circuit Court of Appeals, and the case was docketed on October 15, 2019.

In response to the numerous complaints it received from Cordial, the City of Atlanta required the parties to engage in mediation. On November 22, 2019, a Mutual Release and Settlement Agreement (the "Settlement Agreement") and a Confidential Payment Agreement (the "Payment Agreement") have been executed by the applicable parties. Pursuant to the terms of the settlement, all pending litigation was dismissed. Also, pursuant to the Settlement Agreement terms, the City agreed to approve new five-year leases for the Company and Cordial to operate as joint venture partners for spas located on Concourse A and Concourse C of the Hartsfield-Jackson Atlanta International Airport ("together, "Leases"). The city has approved the new Leases, and the Leases have been executed by the Company and the City. The parties are in the process of negotiating and completing an operating agreement. Pursuant to the Payment Agreement, the Company has recorded an expense, made payments and accrued the balance of the amounts due thereunder, and has included that balance in *Accounts payable, accrued expenses and other current liabilities.*

*In re Chen et al.*

In March 2015, four former XpresSpa employees who worked at XpresSpa locations in John F. Kennedy International Airport and LaGuardia Airport filed a putative class and collective action wage-hour litigation in the United States District Court, Eastern District of New York. *In re Chen et al.*, CV 15-1347 (E.D.N.Y.). Plaintiffs claim that they and other spa technicians around the country were misclassified as exempt commissioned salespersons under Section 7(i) of the federal Fair Labor Standards Act ("FLSA"). Plaintiffs also assert class claims for unpaid overtime on behalf of New York spa technicians under the New York Labor Law, and discriminatory employment practices under New York State and City laws. On July 1, 2015, the plaintiffs moved to have the court authorize notice of the FLSA misclassification claim sent to all employees in the spa technician job classification at XpresSpa locations around the country in the last three years. Defendants opposed the motion. On February 16, 2016, the Magistrate Judge assigned to the case issued a Report & Recommendation, recommending that the District Court Judge grant the plaintiffs' motion. On March 1, 2016, the defendants filed Opposition to the Magistrate Judge's Report & Recommendation, arguing that the District Court Judge should reject the Magistrate Judge's findings. On September 23, 2016, the court ruled in favor of the plaintiffs and conditionally certified the class. The parties held a mediation on February 28, 2017, and reached an agreement on a settlement in principle. On September 6, 2017, the parties entered into a settlement agreement. On September 15, 2017, the parties filed a motion for settlement approval with the Court. XpresSpa subsequently paid the agreed-upon settlement amount to the settlement claims administrator to be held in escrow pending a fairness hearing and final approval by the Court. On March 30, 2018, the Court entered a Memorandum and Order denying the motion without prejudice to renewal due to questions and concerns the Court had about certain settlement terms. On April 24, 2018, the parties jointly submitted a supplemental letter to the Court advocating for the fairness and adequacy of the settlement and appeared in Court on April 25, 2018 for a hearing to discuss the settlement terms in greater detail with the assigned Magistrate Judge. At the conclusion of the hearing, the Court still had questions about the adequacy and fairness of the settlement terms, and the Judge asked that the parties jointly submit additional information to the Court addressing the open issues. The parties submitted such information to the Court on May 18, 2018.

On August 21, 2019, the Court issued an Order denying the parties' motion for preliminary approval of the revised settlement, as the Court still had concerns about several of the settlement terms. At the December 6, 2019 status conference with the Court, the Court reiterated its denial of preliminary approval of the proposed settlement agreement. The Court instructed a notice of pendency to be disseminated to putative collective members. Notice was sent out in early February 2020 and approximately 415 individuals have joined the case. On June 6, 2020, the Company participated in a status conference with the Court, and the parties discussed the possibility of entering into a new settlement agreement that addresses the Court's concerns. On or about August 5, 2020, the parties entered into settlement agreements and sought a preliminary approval order from the Court. On March 30, 2021, the Court issued an Order conditionally granting the motion for preliminary approval subject to resolution of certain issues pertaining to administration of the settlement. On April 6, 2021, Plaintiffs' counsel wrote to the Court regarding their proposed resolution on such issues and the Court ultimately granted preliminary approval on May 25, 2021. Notice of the settlement was sent out to the class members on June 22, 2021.

On October 1, 2021, the Court issued an Order granting the parties' motion for final approval of the settlement. There were no appeals and the settlement was effective as of November 2, 2021. The Settlement Administrator has confirmed to the parties that settlement checks have been distributed to the Class on November 5, 2021. A joint status letter will be submitted to the Court on November 8, 2021 confirming as such and requesting that the case be closed.

*Kainz v. FORM Holdings Corp. et al.*

On March 20, 2019, a second suit was commenced in the United States District Court for the Southern District of New York against FORM, seven of its directors and former directors, as well as a managing director of Mistral Equity Partners ("Mistral"). The individual plaintiff, a shareholder of XpresSpa Holdings, LLC at the time of the merger with FORM in December 2016, alleges that the defendants violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 by making false statements concerning, *inter alia*, the merger and the independence of FORM's board of directors, violated

Section 12(2) of the Securities Act of 1933, breached the merger agreement by making false and misleading statements concerning the merger and fraudulently induced the plaintiff into signing the joinder agreement related to the merger. On May 8, 2019, the Company and its directors and the managing director of Mistral filed a motion to dismiss the complaint. On June 5, 2019, plaintiffs opposed the motion and filed a cross-motion for a partial stay. Defendants' motion to dismiss was fully briefed as of June 19, 2019.

On November 13, 2019, the matter was dismissed in its entirety. On December 12, 2019, plaintiff filed a motion for reconsideration to vacate the order and judgment, dismissing the action, and for leave to amend the complaint. The motion was fully briefed as of February 6, 2020. On April 1, 2020, the Court denied plaintiff's motion in full. On April 10, 2020, plaintiff filed a notice of appeal to the United States Court of Appeals for the Second Circuit. On June 1, 2020, plaintiff filed his appellate brief. On June 16, 2020, the Second Circuit entered the parties' non-dispositive stipulation, dismissing certain defendant-appellees, including the Company. On July 6, 2020, the remaining defendants filed their opposition brief. On July 27, 2020, the plaintiff filed their reply brief. On July 28, 2020, the Second Circuit marked plaintiff's reply brief as defective because it was filed a week late. Subsequently, plaintiff has moved to request permission to file a late reply brief. On January 11, 2021, the judgment of the Court was affirmed by the Second Circuit court.

*Route1*

On or about May 23, 2018, Route1 Inc., Route1 Security Corporation (together, "Route1") and Group Mobile Int'l, LLC ("Group Mobile") commenced a legal proceeding against the Company in the Ontario Superior Court of Justice.

Route1 and Group Mobile sought damages of $567,000 in relation to alleged breaches of a Membership Purchase Agreement entered into between Route1 and the Company on or about March 7, 2018, pursuant to which Route1 acquired the Company's 100% membership interest in Group Mobile. The Company counterclaimed against the Plaintiffs for amounts owed to the Company in relation to the sale of Excluded Inventory (as defined in the Membership Purchase Agreement) and sought damages thereon. The Company delivered a draft amended counterclaim to the Plaintiffs on or around November 2019 seeking, among other things, damages. The Company sought Plaintiffs' consent to amend its counterclaim. Examinations for discovery were scheduled to take place in Toronto, Canada in June 2020.

The action settled at mediation on or about September 17, 2020. The parties agreed to dismiss the claim and the counterclaim, subject to XpresSpa's right to commence an application to seek rectification of certain shares and warrants that were issued in connection with the Membership Purchase Agreement. On September 21, 2020, the Ontario Superior Court of Justice entered an Order dismissing, without costs, the action and counterclaim. XpresSpa was granted the Order seeking the rectification of the shares and warrant and that matter was completed in March 2021.

*Rodger Jenkins and Gregory Jones v. XpresSpa Group, Inc.*

In March 2019, Rodger Jenkins and Gregory Jones filed a lawsuit against the Company in the United States District Court for the Southern District of New York. The lawsuit alleges breach of contract of the stock purchase agreement related to the Company's acquisition of Excalibur Integrated Systems, Inc. and seeks specific performance, compensatory damages and other fees, expenses, and costs. When this action was first commenced, the plaintiffs had demanded cash or stock in the sum of $750. On or about January 3, 2020, the court granted the plaintiffs' motion to amend their pleading to increase their total demand to $1,500.

On December 11, 2020, the court issued its decision and order on the parties' respective motions for summary judgment in which the court: (a) awarded plaintiffs damages in the sum of $750, plus prejudgment interest; (b) granted that portion of the Company's motion dismissing Jenkins's claim for $600 based on his having executed a written waiver of his right to receive that sum; and (c) denied both sides' motions with respect to Jones's claim to recover $150 and directed Jones's claim to be tried. The court had stated that the trial on the remaining portion of Jones's claim will occur in May 2021.

The court held a trial on the remaining portion of Jones's claim for the "second $750" on May 17-18, 2021. Following the trial, the court dismissed that portion of Jones's claim.

On May 28, 2021, the court entered judgment against the Company based on its ruling in plaintiffs' favor as to the "first $750." The total amount of the judgment, with prejudgment interest, is $948. The rate of post-judgment interest is 0.04 % (i.e. 4/10 of 1%).

On June 24, 2021, the Company filed a notice of appeal of the judgment and posted the necessary bond.

On August 18, 2021, the parties entered into a Settlement Agreement and Mutual Release (the "Settlement Agreement"). Pursuant to the terms of the Settlement Agreement, all pending litigation was dismissed. On August 18, 2021, satisfaction of judgment was entered with the court.

*Kyle Collins v. Spa Products Import & Distribution Co., LLC et al*

This is a combined class action and California Private Attorney's General Act ("PAGA") action. Plaintiff seeks to recover wages, penalties and PAGA penalties for claims for (1) failure to provide meal periods, (2) failure to provide rest breaks, (3) failure to pay overtime, (4) inaccurate wage statements, (5) waiting time penalties, and (6) PAGA penalties of $0.1 per employee per pay period per violation. There are approximately 240 current and former employees in the litigation class. The parties agreed to mediation on May 26, 2020, however, due to COVID-19 the parties subsequently stayed all proceedings. The mediation session occurred on March 18, 2021, and the parties reached a settlement in principle. The parties are currently in the process of preparing/finalizing settlement papers for filing with the court.

*Mary Anne Bowen v. XpresSpa Miami Airport, LLC*

On September 7, 2018, Plaintiff Mary Anne Bowen ("Plaintiff") filed a Complaint in the Eleventh Judicial Circuit Court in and for Miami-Dade County, Florida, asserting two causes of action: (I) Respondent Superior to hold XpresSpa accountable for the actions of its employee; and (II) Negligent Hiring, Retention, and Supervision of an employee. On December 21, 2018, the Company filed a Motion to Dismiss Plaintiff's Complaint in its entirety, arguing that XpresSpa cannot be held liable for the acts of an employee who was acting outside the scope of his employment (Count I) and that Plaintiff did not sufficiently plead XpresSpa had notice of the employee's unfitness (Count II). The Motion to Dismiss was granted. However, Plaintiff filed an Amended Complaint which the Company answered. On June 30, 2021, the parties participated in a mediation session and an agreement was reached on the terms of a settlement. Settlement papers were signed on July 1, 2021, and a stipulation of dismissal was filed with the Court on July 26, 2021. Accordingly, this case is now closed.

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***

XpresSpa is contingently liable to a surety company under certain general indemnity agreements required by various airports relating to its lease agreements. XpresSpa 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.

**Note 15. Segment Information**

The Company analyzes the results of the Company's business through the Company's three reportable segments: XpresSpa™, XpresTest™, and Treat™. 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 diagnostic COVID-19 tests at XpresCheck™ Wellness Centers in airports, to airport employees and to the traveling public. The Treat™ segment provides access to integrated care which can seamlessly fit into a post-pandemic world and is designed to deliver on-demand access to integrated healthcare through technology and personalized services, positioned for a traveler to access health care, records and real-time information all in one place, as well as book appointments in the Company's on-site wellness centers as they reopen. The chief operating decision maker evaluates the operating results and performance of the Company's segments through operating income. Expenses that can be specifically identified with a segment have been included as deductions in determining operating income. Any remaining expenses and other charges are included in Corporate and Other.

| | For the three months ended September 30, | |
|---|---|---|
| | **2021** | **2020** |
| **Revenue** | | |
| XpresSpa™ | $ 1,415 | $ 140 |
| XpresTest™ | 25,351 | — |
| Treat™ | — | — |
| Corporate and other | — | 61 |
| **Total revenue** | $ 26,767 | $ 201 |
| | | |
| **Operating income (loss)** | | |
| XpresSpa™ | $ (1,595) | $ (5,699) |
| XpresTest™ | 12,015 | (1,791) |
| Treat™ | (2,305) | — |
| Corporate and other | (1,058) | (1,733) |
| Total operating income (loss) | $ 7,057 | $ (9,223) |

| | For the nine months ended September 30, | |
|---|---|---|
| | **2021** | **2020** |
| **Revenue** | | |
| XpresSpa™ | $ 2,172 | $ 7,729 |
| XpresTest™ | 42,199 | — |
| Treat™ | — | — |
| Corporate and other | — | 333 |
| **Total revenue** | $ 44,371 | $ 8,062 |
| | | |
| **Operating income (loss)** | | |
| XpresSpa™ | $ (4,828) | $ (16,103) |
| XpresTest™ | 14,597 | (1,791) |
| Treat™ | (4,115) | — |
| Corporate and other | (3,719) | (4,761) |
| **Total operating income (loss)** | $ 1,935 | $ (22,655) |

| | September 30, 2021 | September 30, 2020 |
|---|---|---|
| **Assets** | | |
| XpresSpa™ | $ 15,278 | $ 5,816 |
| XpresTest™ | 19,428 | — |
| Treat™ | 3,116 | — |
| Corporate and other | 91,455 | 75,713 |
| **Total assets** | $ 129,277 | $ 81,529 |

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

*This Quarterly Report on Form 10-Q contains "forward-looking statements" that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. 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. 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 be," "plans," "projects," "seeks," "should," "targets," "will," "would," and similar expressions or variations intended to identify forward-looking statements. These statements are based on the beliefs and assumptions of our management based on information currently available to management. Such forward-looking statements are subject to risks, uncertainties 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. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled "Risk Factors" included in our Annual Report on Form 10-K for the year ended December 31, 2020 filed on March 31, 2021, as subsequently amended on April 30, 2021 (the "2020 Annual Report"), our Quarterly Reports on Form 10-Q for the three months ended March 31, 202 and June 30, 2021, and this Quarterly Report on Form 10-Q and any future reports 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. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.*

*All references in this Quarterly Report on Form 10-Q to "we," "us" and "our" refer to XpresSpa Group, Inc., a Delaware corporation, and its consolidated subsidiaries.*

**Overview**

XpresSpa Group, Inc. ("XpresSpa Group") is a leading global travel health and wellness services holding company. XpresSpa Group currently has three reportable operating segments: XpresSpa™, XpresTest™, and Treat™.

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 ("XpresSpa").

Through XpresSpa Group's subsidiary XpresTest, Inc. ("XpresTest"), we launched XpresCheck™ Wellness Centers, also in airports. XpresCheck offers COVID-19 and other medical diagnostic testing services to the traveling public, as well as airline, airport and concessionaire employees, and TSA and U.S. Customs and Border Protection agents. XpresTest has entered into managed services agreements ("MSAs") with professional medical services companies that provide health care services to patients. The medical services companies pay XpresTest a monthly fee to operate in the XpresCheck Wellness Centers. Under the terms of MSAs, we provide office space, equipment, supplies, non-licensed staff, and management services in return for a management fee.

Furthermore, XpresSpa Group is developing Treat™, a travel health and wellness brand that is positioned for a post-pandemic world. We anticipate delivering on-demand access to integrated healthcare through technology and personalized services, while leveraging XpresSpa's historic travel wellness experience and XpresTest's healthcare expertise under the XpresCheck™ brand. We see this concept evolution as an opportunity in a new niche industry where XpresSpa Group can leverage technology in addition to its existing real estate and airport experience, providing travelers with peace of mind and access to integrated care. Over the long-term, we envision that digital channels will provide growth opportunities beyond our airport locations, achieved through subscription-based services that provide care and tools supporting travel health and wellness. Furthermore, we anticipate offering upstream content that can be monetized through affiliate revenue as well as curated retail through ecommerce through our dedicated website, *www.treatcare.com* launched during the second quarter of 2021, which was converted into www.treat.com in the third quarter of 2021.

***COVID-19 Update***

In March 2020, we temporarily closed all global XpresSpa locations due to the categorization by local jurisdictions of the spa locations as “non-essential services.” A majority of our XpresSpa locations remain closed, although several have reopened as described under "Recent Developments -XpresSpa Premium Spa Services" below. We intend to reopen remaining XpresSpa™ spa locations on a location-by-location basis and resume normal operations at such selected locations once restrictions are lifted and airport traffic returns to sufficient levels to support operations at a unit level.

Since the beginning of the temporary closure of our XpresSpa locations, we successfully launched our XpresCheck™ Wellness Centers, offering such testing services, as described above. Also, we continue to evaluate alternative testing protocols and work in partnership with airlines for safe travels.

While management has used all currently available information in assessing our business prospects, the ultimate impact of the COVID-19 pandemic and our XpresCheck™ Wellness Centers on our results of operations, financial condition and cash flows remains uncertain. The success or failure of our XpresCheck™ Wellness Centers could also have a material effect on our business.

**Recent Developments**

**XpresCheck™ Wellness Centers**

Through our XpresCheck™ Wellness Centers and under the terms of MSAs with physicians’ practices, we offer diagnostic testing services. We currently have 14 such clinics in 12 airports across 11 states. Since December 31, 2020, we announced the opening of the following XpresCheck™ Wellness Centers to provide diagnostic COVID-19 testing:

- On January 12, 2021, we opened our second XpresCheck™ Wellness Center at Boston’s Logan International Airport. It contains four separate testing rooms to provide diagnostic COVID-19 testing.

- On January 20, 2021, we announced the opening of an XpresCheck™ Wellness Center at Salt Lake City International Airport. It contains four separate testing rooms to provide diagnostic COVID-19 testing.

- On February 16, 2021, we announced the opening of our second XpresCheck™ testing facility at Newark Liberty International Airport. It contains four separate testing rooms to provide diagnostic COVID-19 testing.

- On March 8, 2021, we announced the opening of an XpresCheck™ Wellness Center at Houston George Bush Intercontinental Airport. It contains four separate testing rooms to provide diagnostic COVID-19 testing.

- On March 15, 2021, we announced the opening of XpresCheck™ Wellness Centers at Dulles International and Reagan National Airports in Virginia, containing nine and four separate testing rooms, respectively, to provide diagnostic COVID-19 testing.

- On April 8, 2021, we announced the opening of an XpresCheck™ Wellness Center at Seattle-Tacoma International Airport. It contains eight separate testing rooms to provide diagnostic COVID-19 testing.

- On April 21, 2021, we announced the opening of an XpresCheck™ Wellness Center at San Francisco International Airport. It contains nine separate testing rooms to provide diagnostic COVID-19 testing.

- On October 13, 2021, we opened an XpresCheck™ Wellness Center at Hartsfield-Jackson Atlanta International Airport (ATL) Concourse E. It contains six separate testing rooms to provide diagnostic COVID-19 testing.

During the third quarter of 2021, we have been authorized to proceed with a $2,000, 8-week pilot program with the Centers for Disease Control and Prevention (CDC) through our niche in XpresCheck™ COVID-19 testing. Under the 8-week pilot program, conducted in collaboration with Concentric by Ginkgo, XpresCheck™ will conduct biosurveillance monitoring, initially from India, at three major U.S. airports operating XpresCheck™ COVID-19 testing facilities, which will be aimed at identifying existing and new SARS-CoV-2 variants, including the highly contagious Delta variant and other new variants surfacing in the U.S. The revenue on this contract which is based on certain milestones specified in the contract, would be booked through the 5 steps of ASC 606 as and when a particular milestone is reached, pursuant to which we expect to recognize approximately $1,500 during the fourth quarter of 2021, which is approximately 75% of the contract consideration.

**XpresSpa Premium Spa Services**

Between June 28th, 2021 and July 1st, 2021, we re-opened our four top performing XpresSpa™ locations with modified hours and top selling services: Hartsfield-Jackson Atlanta International Airport (ATL) Concourse A, Dallas/Fort Worth International Airport (DFW) Concourse A, Charlotte Douglas International Airport (CLT) Concourse D, and Las Vegas McCarran International Airport (LAS) Concourse D. There are also three XpresSpa locations operating in Dubai International Airport in the United Arab Emirates as well as three XpresSpa locations operating in Schiphol Amsterdam Airport in the Netherlands.

During the third quarter of 2021, we re-opened the following XpresSpa™ locations with modified hours and top selling services:

- John F. Kennedy International Airport (JFK) on September 16, 2021;
- Charlotte Douglas International Airport (CLT) Concourse A/B on September 20, 2021.

During the fourth quarter of 2021 to date, we re-opened the following XpresSpa™ locations with modified hours and top selling services:

- Hartsfield-Jackson Atlanta International Airport (ATL) Concourse C on October 14, 2021;
- Orlando International Airport (MCO) on October 18, 2021;
- Dallas/Fort Worth International Airport (DFW) Concourse D on October 23, 2021;
- William P. Hobby Airport (HOU) on November 8, 2021.
- .

A majority of the reopened domestic XpresSpa locations are operating approximately eight hours per day (compared to 16 hours pre-pandemic) with sales volumes about 30% to 60% of pre-pandemic levels. We implemented a price increase in mid-October and are planning to test some new touchless massage services and new retail items during the fourth quarter.

We will re-evaluate each airport on a month-by-month basis as well as review continued learnings as the portfolio is re-activated. An additional two XpresSpa reopenings are planned for the remainder of the year.

**Treat™**

During the second quarter of 2021, we launched our dedicated website, www.treatcare.com, later converting to www.treat.com during the third quarter of 2021, to provide growth opportunities beyond our airport locations through digital channels, achieved through subscription-based services that provide care and tools supporting travel health and wellness as well as offering upstream content that can be monetized through affiliate revenue.

**Airport Rent Concessions**

We have received rent concessions from landlords on a majority of our leases, allowing for the relief of minimum guaranteed payments in exchange for percentage-of-revenue rent or providing relief from rent through payment deferrals. Currently, the periods of relief from these payments, which began in March 2020, range from three to twenty-eight months and are still in effect for some of the affected leases. We have received minimum guaranteed payment concessions of approximately $585 and $611 in the three months ended September 30, 2021 and 2020, respectively, $1,568 and $1,379 in the nine months ended September 30, 2021 and 2020, respectively, and $3,600 in the eighteen months ended September 30, 2021. We expect to realize additional rent concessions while a majority of our spas remains closed.

**Adjusted EBITDA**

Adjusted EBITDA is a supplemental measure of financial performance that is not required by or presented in accordance with GAAP but is a measurement used by management to assess the trends in our business. In evaluating our performance as measured by Adjusted EBITDA, we recognize and consider the limitations of this measurement.

We define Adjusted EBITDA as earnings before interest, taxes, depreciation and amortization expense, non-cash charges, and stock-based compensation expense.

We consider Adjusted EBITDA to be an important indicator for the performance of our operating business, but it is not a measure of performance or liquidity calculated in accordance with GAAP. We have included this non-GAAP financial measure because management utilizes this information for assessing our performance and liquidity, and as an indicator of our ability to make capital expenditures and finance working capital requirements. We believe that Adjusted EBITDA is a measurement that is commonly used by analysts and some investors in evaluating the performance and liquidity of growth companies such as ours.

In particular, we believe that it is useful for analysts and investors to understand that Adjusted EBITDA excludes certain transactions not related to our core cash operating activities, which are primarily related to our XpresCheck™ Wellness Centers. We believe that excluding these transactions allows investors to meaningfully analyze the performance of our core cash operations.

Adjusted EBITDA should not be considered in isolation or as an alternative to cash flow from operating activities or as an alternative to operating income or as an indicator of operating performance or any other measure of performance derived in accordance with GAAP. Adjusted EBITDA does not reflect our obligations for the payment of income taxes, interest expense, or other obligations such as capital expenditures.

A reconciliation of operating income (loss) presented in accordance with GAAP for the three and nine month periods ended September 30, 2021 and 2020 to Adjusted EBITDA (loss) is presented in the table below.

**Q3 2021 Results of Operations and Adjusted EBITDA**

(Amounts in thousands)

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| **Revenue:** | **2021** | **2020** | **2021** | **2020** |
| Managed services fees | $ — | $ — | $ 16,843 | $ — |
| Patient service revenue | 25,351 | — | 25,351 | — |
| Services | 1,158 | 93 | 1,761 | 6,779 |
| Products | 258 | 45 | 402 | 936 |
| Other | — | 63 | 14 | 347 |
| **Total revenue** | 26,767 | 201 | 44,371 | 8,062 |
| | | | | |
| **Cost of sales** | | | | |
| Labor | 4,277 | 514 | 7,419 | 5,480 |
| Occupancy | 587 | 468 | 1,511 | 2,334 |
| Product and other operating costs | 8,798 | 423 | 16,592 | 1,737 |
| **Total cost of sales** | 13,662 | 1,405 | 25,522 | 9,551 |
| Depreciation and amortization | 852 | 1,424 | 2,542 | 3,875 |
| Impairment/disposal of assets | — | 2,227 | 22 | 6,319 |
| General and administrative | 5,196 | 4,368 | 14,350 | 10,972 |
| **Total operating expense** | 19,710 | 9,424 | 42,436 | 30,717 — |
| **Earnings (loss) from operations** | 7,057 | (9,223) | 1,935 | (22,655) |
| Interest income (expense), net | 6 | (120) | 31 | (1,856) |
| Gain (loss) on revaluation of warrants and conversion options | — | 2,750 | — | (50,917) |
| Other non-operating expense, net | (381) | (47) | (830) | (389) |
| **Income (loss) before income taxes** | 6,682 | (6,640) | 1,136 | (75,817) |
| Income tax expense | (87) | (3) | (79) | (22) |
| **Net income (loss)** | 6,595 | (6,643) | 1,057 | (75,839) |
| Net (income) loss attributable to noncontrolling interests | (998) | 533 | (983) | 1,034 |
| **Net income (loss) attributable to common shareholders** | $ 5,597 | $ (6,110) | $ 74 | $ (74,805) |
| | | | | |
| **Income (loss) from operations** | $ 7,057 | $ (9,223) | $ 1,935 | $ (22,655) |
| **Add back:** | | | | |
| Depreciation and amortization | 852 | 1,424 | 2,542 | 3,875 |
| Impairment/disposal of assets | — | 2,227 | 22 | 6,319 |
| Stock-based compensation expense | 790 | 424 | 2,123 | 496 |
| **Adjusted EBITDA** | $ 8,699 | $ (5,148) | $ 6,622 | $ (11,965) |

## Results of Operations

### Revenue

We recognize revenue from the sale of XpresSpa services when they are rendered at our stores and from the sale of products at the time goods are purchased at our stores or online (usually by credit card), net of discounts and applicable sales taxes. Majority of our spa locations remain closed and therefore generate little revenue.

Through our XpresCheck™ Wellness Centers and under the terms of the Managed Services Agreement ("MSA") with PCs that in turn contract with physicians and nurse practitioners, we offer testing services to airline employees, contractors, concessionaire employees, TSA officers and U.S. Customs and Border Protection agents, as well as the traveling public. We have entered into MSAs with PCs that provide healthcare services to patients. Under the terms of the MSAs which may be modified according to for commercial reasonableness and fair market value, XpresTest provides office space, equipment, supplies, non-licensed staff, and management services to be used for the purpose of COVID-19 and other medical diagnostic testing in return for a management fee. However, as a result of uncertainties around the cash flows of the XpresCheck™ Wellness Centers, we concluded in 2020 that the collectability criteria to qualify as a contract under ASC 606 was not met, and therefore, revenue associated with the monthly management fee would not be recognized until a subsequent reassessment resulted in the MSAs meeting the collectability criteria. XpresTest recognized revenue of $16,843 (including catch-up revenue of $3,186 for 2020) during the six months ended June 30, 2021, under the MSAs, pursuant to reassessments in 2021, of the MSAs executed in 2020 and amended in 2021, and assessments and reassessments of MSAs executed and amended in 2021 until June 30, 2021 resulting in management's conclusion that they met the collectability criteria. Any revenue collected not meeting the collectability criteria was recorded as deferred revenue. Effective, July 1, 2021 (see Note 3), we determined that the PCs are variable interest entities due to its equity holder having insufficient capital at risk, and we have a variable interest in the PCs. In pursuance, the total revenue of $25,351 for the PCs for the three months ended September 30, 2021 were designated as a revenue for us.

### Cost of sales

Cost of sales for our XpresSpa segment consists of store-level costs. Store-level costs include all costs that are directly attributable to the store operations, primarily payroll and related benefit costs for store personnel, occupancy costs and cost of products sold. Cost of sales of our XpresTest segment include costs related to the XpresCheck™ business, and consists of expenses directly attributable to the clinic operations under the terms of the MSAs, primarily payroll and related benefit costs for personnel, occupancy costs and cost of supplies used to administer the diagnostic COVID-19 tests.

### General and administrative

General and administrative expenses include management and administrative personnel, overhead and occupancy costs, insurance and various professional fees, as well as stock-based compensation for management and administrative personnel.

### Other non-operating income (expense), net

Other non-operating income (expense), net primarily includes loss on revaluation of the equity investment to fair value.

***Three months ended September 30, 2021 compared to the three months ended September 30, 2020***

### Revenue

| | Three months ended September 30, | | |
|---|---|---|---|
| | **2021** | **2020** | **Inc/(Dec)** |
| Total revenue | $ 26,767 | $ 201 | $ 26,566 |

The increase in revenue was primarily due to patient services revenue generated through managed services agreements with professional medical services companies that provide healthcare services to patients in our XpresCheck™ Wellness Centers (while the majority of XpresSpa locations remain closed), amounting to $25,351 of the total revenue.

**Cost of sales**

| | Three months ended September 30, | | |
|---|---|---|---|
| | 2021 | 2020 | Inc/(Dec) |
| Cost of sales | $ 13,662 | $ 1,405 | $ 12,257 |

The increase in cost of sales was primarily due to the cost of sales of $12,661 incurred in the XpresCheck™ Wellness Centers pursuant to the XpresTest management services agreement and related patient revenue offset by the decreases in occupancy costs as a result of rent concessions received from airports.

**Depreciation and amortization**

| | Three months ended September 30, | | |
|---|---|---|---|
| | 2021 | 2020 | Inc/(Dec) |
| Depreciation and amortization | $ 852 | $ 1,424 | $ (572) |

The decrease in depreciation and amortization of approximately 40.2% was primarily due to lower amortization of leasehold improvements in the current period triggered by impairments and disposals of assets recorded in 2020. This decrease was partially offset by depreciation and amortization of $509 related to the recently opened XpresCheck™ Wellness Centers.

**General and administrative**

| | Three months ended September 30, | | |
|---|---|---|---|
| | 2021 | 2020 | Inc/(Dec) |
| General and administrative | $ 5,196 | $ 4,368 | $ 828 |

The increase of approximately19.0% was primarily due to start-up costs associated with XpresTest and the XpresCheck™ Wellness Centers and development of the Treat™ brand.

**Gain on revaluation of warrants and conversion options:**

| | Three months ended September 30, | | |
|---|---|---|---|
| | 2021 | 2020 | Inc/(Dec) |
| Gain on revaluation of warrants and conversion options | $ — | $ 2,750 | $ (2,750) |

Gain on revaluation of warrants and conversion options represents the gain resulting from the mark to market adjustments of our derivative liabilities as of the end of the reporting period and upon conversion of warrants and convertible debt. The decrease in the gain on revaluation of warrants and conversion options was due mainly to the conversion to equity of the majority of the outstanding warrants and convertible debt during the conversion period.

**Other non-operating expense, net**

| | Three months ended September 30, | | |
|---|---|---|---|
| | 2021 | 2020 | Inc/(Dec) |
| Other non-operating expense, net | $ 381 | $ 47 | $ 334 |

The following is a summary of the transactions included in other non-operating expense, net for the three months ended September 30, 2021 and 2020:

| | Three months ended September 30, | |
|---|---|---|
| | 2021 | 2020 |
| Loss on equity investment | $ 302 | $ — |
| Bank fees and financing charges | 62 | 47 |
| Other | 17 | — |
| **Total** | $ 381 | $ 47 |

**Interest expense, net**

| | Three months ended September 30, | | |
|---|---|---|---|
| | 2021 | 2020 | Inc/(Dec) |
| Interest (income) expense | $ (6) | $ 120 | $ (126) |

Interest expense decreased due to significantly lower outstanding debt as a result of conversions of the B3D Note to Common Stock.

***Nine months ended September 30, 2021 compared to the Nine months ended September 30, 2020***

**Revenue**

| | Nine months ended September 30, | | |
|---|---|---|---|
| | 2021 | 2020 | Inc/(Dec) |
| Total revenue | $ 44,371 | $ 8,062 | $ 36,309 |

The increase in revenue was primarily due to patient service revenue of $25,351 during the third quarter of 2021 and MSA fees of of $16,843 for the six months ended June 30, 2021, respectively through managed services agreements with professional medical services companies that provide healthcare services to patients in our XpresCheck™ Wellness Centers (while the majority of XpresSpa locations remain closed). In addition, the Company saw a slight increase in revenue associated with the XpresSpa locations that opened during the period ended September 30, 2021.

**Cost of sales**

| | Nine months ended September 30, | | |
|---|---|---|---|
| | 2021 | 2020 | Inc/(Dec) |
| Cost of sales | $ 25,522 | $ 9,551 | $ 15,971 |

The increase in cost of sales was primarily due to the cost of sales of $23,760 incurred in the XpresCheck™ Wellness Centers pursuant to the XpresTest management services agreement offset by the decrease in variable costs associated with the decline in XpresSpa revenues and decreases in occupancy costs as a result of rent concessions received from airports.

**Depreciation and amortization**

| | Nine months ended September 30, | | |
|---|---|---|---|
| | **2021** | **2020** | **Inc/(Dec)** |
| Depreciation and amortization | $ 2,542 | $ 3,875 | $ (1,333) |

The decrease in depreciation and amortization of approximately 34.4% was primarily due to lower amortization of leasehold improvements in the current period triggered by impairments and disposals of assets recorded in 2020. This decrease was partially offset by depreciation and amortization of $1,604 related to the recently opened XpresCheck™ Wellness Centers.

**General and administrative**

| | Nine months ended September 30, | | |
|---|---|---|---|
| | **2021** | **2020** | **Inc/(Dec)** |
| General and administrative | $ 14,350 | $ 10,972 | $ 3,378 |

The increase of approximately 30.8% was primarily due to start-up costs associated with the XpresCheck™ brand, development of the Treat™ brand and additional legal fees related to the resolution of certain legal matters, offset by reduced variable costs related to the closed XpresSpa locations.

**Loss on revaluation of warrants and conversion options:**

| | Nine months ended September 30, | | |
|---|---|---|---|
| | **2021** | **2020** | **Inc/(Dec)** |
| Loss on revaluation of warrants and conversion options | $ — | $ 50,917 | $ (50,917) |

Loss on revaluation of warrants and conversion options represents the loss resulting from the mark to market adjustments of our derivative liabilities as of the end of the reporting period and upon conversion of warrants and convertible debt. The decrease in the loss on revaluation of warrants and conversion options was due mainly to the conversion to equity of the majority of the outstanding warrants and convertible debt during 2020.

**Other non-operating expense, net**

| | Nine months ended September 30, | | |
|---|---|---|---|
| | 2021 | 2020 | Inc/(Dec) |
| Other non-operating expense, net | $ 830 | $ 389 | $ 441 |

The following is a summary of the transactions included in other non-operating expense (income), net for the nine months ended September 30, 2021 and 2020:

| | Nine months ended September 30, | |
|---|---|---|
| | 2021 | 2020 |
| Loss on equity investments | $ 716 | $ — |
| Loss on extinguishment of debt | — | 182 |
| Bank fees and financing charges | 97 | 207 |
| Other | 17 | — |
| **Total** | $ 830 | $ 389 |

**Interest expense, net**

| | Nine months ended September 30, | | |
|---|---|---|---|
| | 2021 | 2020 | Inc/(Dec) |
| Interest (income) expense | $ (31) | $ 1,856 | $ (1,887) |

Interest expense represents interest and accretion expenses on our convertible debt instruments. Interest expense decreased somewhat due to conversions to Common Stock of the Calm Note and B3D Note during 2020.

**Liquidity and Capital Resources**

As of September 30, 2021, we had cash and cash equivalents, excluding restricted cash, of $109,161, total current assets of $113,100, total current liabilities of $17,198 and positive working capital of $95,902, compared to a positive working capital of $78,302 as of December 31, 2020.

During the nine months ended September 30, 2021, holders of our December 2020 Investor Warrants, December 2020 Placement Agent Warrants and December 2020 Placement Agent Tail Fee Warrants exercised warrants for a total of 11,223,529 common shares. We received gross proceeds of approximately $19,161. In accordance with the placement agent agreements with H.C. Wainwright & Co., LLC and Palladium, we paid cash fees of $2,154 and issued 842,588 warrants to H.C. Wainwright & Co., LLC at an exercise price of $2.125 per share and 325,500 warrants to Palladium at an exercise price of $1.70 per share. See *Note 11. Stockholders' Equity* to the condensed consolidated financial statements for related discussion.

On August 31, 2021, our board of directors authorized a stock repurchase program that permits the purchase and repurchase of up to 15 million shares of our common stock. The new authorization is currently effective and will be in effect through September 15, 2022. Under the new stock repurchase program, management has discretion in determining the conditions under which shares may be purchased from time to time. The program does not require us to repurchase any specific number of shares, and may be modified, suspended or terminated at any time without prior notice. Under the program, we purchased and retired 250,000 shares for $450 during the three and nine months ended September 30, 2021.

However, while we have addressed our working capital deficiency and long-term debt, and continue to focus on our overall operating profitability. In addition, the ultimate duration and severity of the ongoing COVID-19 pandemic are uncertain at this time, and may result in additional material adverse impacts on our liquidity position and access to capital. We continue to expand and explore strategic partnerships, right-size our corporate structure, and streamline our operations.

**Critical Accounting Estimates**

These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2020, as amended, filed with the SEC which includes a description of our critical accounting estimates that involve subjective and complex judgments that could potentially affect reported results. There have been no material changes to our critical accounting estimates as to the methodologies or assumptions we apply under them. We continue to monitor such methodologies and assumptions.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

Not required as we are a smaller reporting company.

**Item 4. Controls and Procedures.**

*Evaluation of Disclosure Controls and Procedures*

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Exchange Act) that are designed to ensure that information required to be disclosed in Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer (Principal Financial and Accounting Officer), as appropriate, to allow timely decisions regarding required disclosure.

As of September 30, 2021, our management carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Our management's evaluation as of December 31, 2019 identified a material weakness in our internal control over financial reporting. Based on our evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of September 30, 2021, to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and to provide reasonable assurance that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Notwithstanding this conclusion, management believes that the condensed consolidated financial statements in this Quarterly Report on Form 10-Q fairly present in all material respects our financial condition, results of operations and cash flows in conformity with GAAP.

*Remediation Plan for Material Weakness in Internal Control over Financial Reporting*

We and our Board treat the controls surrounding, and the integrity of, our financial statements with the utmost priority. Management is committed to the planning and implementation of remediation efforts to address control deficiencies and any other identified areas of risk. These remediation efforts are intended to both address the identified material weakness and to enhance our overall financial control environment. In particular:

- we will continue to strengthen our interim and annual financial review controls to function with a sufficient level of precision to detect and correct errors on a timely basis; and

· we will continue to improve the timeliness of our closing processes with respect to interim and annual periods.

Following identification of this control deficiency, commenced remediation efforts by implementing modifications to better ensure that the Company has appropriate and timely reviews on all financial reporting analysis. The material weakness in our internal control over financial reporting will not be considered remediated until these modifications are implemented, in operation for a sufficient period of time, tested, and concluded by management to be designed and operating effectively. In addition, as we continue to evaluate and work to improve our internal control over financial reporting, management may determine to take additional measures to address control deficiencies or determine to modify our remediation plan. Management is testing and evaluating the implementation of these modifications during 2021 to ascertain whether they are designed and operating effectively to provide reasonable assurance that they will prevent or detect a material misstatement in the Company's financial statements.

The steps we took to address the deficiencies identified included:

- we hired a permanent Chief Financial Officer in December 2020;
- we have engaged in efforts to restructure accounting processes and revise organizational structures to enhance accurate accounting and appropriate financial reporting;
- we have engaged outside service providers to assist with the valuation and recording of key reporting areas such as leases and stock compensation expense;
- we have implemented additional accounting software to aid in the accounting and financial reporting process;
- we have contracted an independent consulting firm to assist with the preparation of the Financial Statements and U.S. GAAP accounting research; and
- in March 2021, we hired a seasoned Certified Public Accountant as a permanent Corporate Controller, who also has a Certified Information Systems Auditor accreditation.

We are committed to maintaining a strong internal control environment, and we believe the measures described above will strengthen our internal control over financial reporting and remediate the material weakness we have identified. Our remediation efforts have begun, and we will continue to devote significant time and attention to these remedial efforts. As we continue to evaluate and work to improve our internal control over financial reporting, management may determine to take additional measures to strengthen controls or to modify the remediation plan described above, which may require additional implementation time.

As noted above, we believe that, as a result of management's in-depth review of its accounting processes, and the additional procedures management has implemented, there are no material inaccuracies or omissions of material fact in this Form 10-Q and, to the best of our knowledge, we believe that the condensed consolidated financial statements in this Form 10-Q fairly present in all material respects our financial condition, results of operations and cash flows in conformity with GAAP.

*Changes in Internal Control over Financial Reporting*

Based on our evaluation, management concluded that our internal control over financial reporting was not effective as of September 30, 2021, due to a material weakness in our internal control over our financial close and reporting process, which was discovered in 2019, still remaining unmitigated. Management continues to conclude that as of September 30, 2021 we still did not have a sufficient complement of corporate personnel with appropriate levels of accounting and controls knowledge and experience commensurate with our financial reporting requirements to appropriately analyze, record and disclose accounting matters completely and accurately. As a result of this evaluation, we extensively used outside consultants who possessed the appropriate levels of accounting and controls knowledge to appropriately analyze, record, and disclose accounting matters completely and accurately.

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 quarter ended September 30, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II – OTHER INFORMATION

### Item 1. Legal Proceedings.

For information regarding legal proceedings, see Note 14. *"Commitments and Contingencies"* in our notes to the condensed consolidated financial statements included in "Item 1. Condensed Consolidated Financial Statements (Unaudited)."

### Item 1A. Risk Factors.

There have been no material changes to the risk factors discussed in Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2020.

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

**Issuer Purchases of Equity Securities**
**Third Quarter 2021**
**(shares in thousands)**

| Period | Total Number of Shares Purchased [1] | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (shares in thousands) |
|---|---|---|---|---|
| July 1, 2021 - July 31, 2021 | — | $ — | — | — |
| August 1, 2021 - August 31, 2021 | — | — | — | 15,000 |
| September 1, 2021 - September 30, 2021 | 250 | 1.8 | 250 | 14,750 |
| Total | 250 | $ 1.8 | 250 | 14,750 |

(1) In August 2021, the Board of Directors adopted a share repurchase program authorizing the repurchase of up to 15 million shares of our common stock. This program authorizes the Company to repurchase shares through September 15, 2022 and does not require the Company to repurchase any specific number of shares, and may be modified, suspended or terminated at any time without prior notice. Shares repurchased under the program will be returned to the status of authorized but unissued shares of common stock.

### Item 3. Defaults Upon Senior Securities.

None.

### Item 4. Mine Safety Disclosures.

Not applicable.

**Item 5. Other Information.**

None.

**Item 6. Exhibits.**

| Exhibit No. | Description |
|---|---|
| 3.1† | Amendment to Bylaws of XpresSpa Group, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on August 6, 2021) |
| 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 |
| 101.INS* | Inline XBRL Instance Document |
| 101.SCH* | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL* | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF* | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB* | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE* | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 104 | Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101) |

***** **Filed herewith.**
****** **Furnished herein.**
**†** **Management contract or compensatory plan or arrangement.**

## SIGNATURES

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

**XpresSpa Group, Inc.**

| | | | |
|---|---|---|---|
| Date: | November 15, 2021 | By: | /s/ Douglas Satzman<br>**Douglas Satzman**<br>**Chief Executive Officer**<br>**(Principal Executive Officer)** |
| Date: | November 15, 2021 | By: | /s/ James A. Berry<br>**James A Berry**<br>**Chief Financial Officer**<br>**(Principal Financial and Accounting Officer)** |

**Exhibit 31.1**

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

I, Douglas Satzman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of XpresSpa Group, 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 first fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

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

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

Dated: November 15, 2021

/s/ DOUGLAS SATZMAN
**Chief Executive Officer**
**(Principal Executive Officer)**

**Exhibit 31.1**

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

I, James A. Berry, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of XpresSpa Group, 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 first fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

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

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

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

Dated: November 15, 2021

/s/ JAMES A. BERRY

**Chief Financial Officer**
**(Principal Financial and Accounting Officer)**

**Exhibit 32**

**CERTIFICATIONS OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

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), the undersigned officer of XpresSpa Group, Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report for the quarter ended September 30, 2021 (the "Form 10-Q") 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-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 15, 2021

/s/ DOUGLAS SATZMAN

**Douglas Satzman**
**Chief Executive Officer**
**(Principal Executive Officer)**

/s/ JAMES A. BERRY

**James A. Berry**
**Chief Financial Officer**
**(Principal Financial and Accounting Officer)**