
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 March 31, 2024

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

For the transition period from ___ to ___

Commission file number: 001-34785

XWELL, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

20-4988129
(I.R.S. Employer
Identification No.)

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

10001
(Zip Code)

(Registrant's Telephone Number, Including Area Code): (212) 750-9595

(Former name, former address and former fiscal year, if changed since last report)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$0.01 per share	XWEL	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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

As of May 14, 2024, 4,183,435 shares of the registrant's common stock were outstanding.

XWELL, Inc. and Subsidiaries

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PART I - FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (Unaudited)

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

	March 31, 2024	December 31, 2023
Current assets		
Cash and cash equivalents	\$ 4,317	\$ 8,437
Marketable Securities	14,784	14,613
Accounts receivable	2,900	1,667
Inventory	834	900
Other current assets	1,621	949
Total current assets	24,456	26,566
Restricted cash	751	751
Property and equipment, net	2,139	2,454
Intangible assets, net	1,264	1,353
Operating lease right of use assets, net	5,651	4,656
Goodwill	1,431	1,371
Other assets	1,785	1,842
Total assets	\$ 37,477	\$ 38,993
Current liabilities		
Accounts payable	\$ 2,017	\$ 1,099
Accrued expenses and other current liabilities	3,695	4,968
Current portion of operating lease liabilities	2,585	2,402
Deferred revenue	890	861
Total current liabilities	9,187	9,330
Long-term liabilities		
Operating lease liabilities	9,525	8,692
Total liabilities	18,712	18,022
Commitments and contingencies (see Note 13)		
Equity		
Common Stock, \$0.01 par value per share, 150,000,000 shares authorized; 4,182,617 and 4,179,631 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively	42	42
Additional paid-in capital	470,996	470,737
Accumulated deficit	(458,365)	(455,853)
Accumulated other comprehensive loss	(2,099)	(1,924)
Total equity attributable to XWELL, Inc.	10,574	13,002
Noncontrolling interests	8,191	7,969
Total equity	18,765	20,971
Total liabilities and equity	\$ 37,477	\$ 38,993

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

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

	Three months ended March 31,	
	2024	2023
Revenue, net		
Services	8,035	6,467
Products	691	596
Total revenue, net	<u>8,726</u>	<u>7,063</u>
Cost of sales		
Labor	4,149	4,378
Occupancy	942	1,213
Products and other operating costs	964	950
Total cost of sales	<u>6,055</u>	<u>6,541</u>
Gross Profit	\$ 2,671	\$ 522
Depreciation and amortization	225	587
Impairment of long-lived assets	652	-
Loss on disposal of assets	-	132
General and administrative	2,092	3,966
Salaries and Benefits	2,081	2,125
Total operating expenses	<u>5,050</u>	<u>6,810</u>
Operating loss	(2,379)	(6,288)
Interest income, net	110	393
Gain on Investments, realized and unrealized	135	24
Foreign exchange gain (loss)	(166)	85
Other non-operating expense, net	(58)	(43)
Loss before income taxes	(2,358)	(5,829)
Income tax expense	-	-
Net loss	(2,358)	(5,829)
Net loss (income) attributable to noncontrolling interests	(154)	320
Net loss attributable to XWELL, Inc.	<u>\$ (2,512)</u>	<u>\$ (5,509)</u>
Net loss	\$ (2,358)	\$ (5,829)
Other comprehensive loss from operations	(175)	(130)
Comprehensive loss income	<u>\$ (2,533)</u>	<u>\$ (5,959)</u>
Loss per share		
Basic and diluted loss per share	<u>\$ (0.60)</u>	<u>\$ (1.32)</u>
Weighted-average number of shares outstanding during the period*		
Basic	<u>4,182,617</u>	<u>4,167,295</u>
Diluted	<u>4,182,617</u>	<u>4,167,295</u>

*Adjusted to reflect the impact of the 1:20 reverse stock split that became effective on September 28, 2023.

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

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

	Common stock		Additional paid- amount in capital	Accumulated deficit	Accumulated other comprehensive loss	Total Company equity	Non- controlling interests	Total equity
	Shares	Amount						
December 31, 2023	4,179,631	\$ 42	\$ 470,737	\$ (455,853)	\$ (1,924)	\$ 13,002	\$ 7,969	\$20,971
Issuance of restricted stock units	2,986	—	—	—	—	—	—	—
Stock-based compensation	—	—	259	—	—	259	23	282
Net loss for the period	—	—	—	(2,512)	—	(2,512)	154	(2,358)
Foreign currency translation	—	—	—	—	(175)	(175)	45	(130)
March 31, 2024	<u>4,182,617</u>	<u>\$ 42</u>	<u>\$ 470,996</u>	<u>\$ (458,365)</u>	<u>\$ (2,099)</u>	<u>\$ 10,574</u>	<u>\$ 8,191</u>	<u>\$18,765</u>

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

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

	Common stock*		Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive loss	Total Company equity	Non-controlling interests	Total equity
	Shares	Amount						
December 31, 2022	4,161,613	\$ 42	\$ 468,530	\$ (428,112)	\$ (534)	\$ 39,926	\$ 8,023	\$47,949
Issuance of restricted stock	6,015	—	—	—	—	—	—	—
Value of shares withheld to fund payroll taxes	—	—	(22)	—	—	(22)	—	(22)
Stock-based compensation	—	—	589	—	—	589	23	612
Net loss for the period	—	—	—	(5,509)	—	(5,509)	(320)	(5,829)
Foreign currency translation	—	—	—	—	(130)	(130)	11	(119)
March 31, 2023	<u>4,167,628</u>	<u>\$ 42</u>	<u>\$ 469,097</u>	<u>\$ (433,621)</u>	<u>\$ (664)</u>	<u>\$ 34,854</u>	<u>\$ 7,737</u>	<u>\$42,591</u>

*Adjusted to reflect the impact of the 1:20 reverse stock split that became effective on September 28, 2023.

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

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

	Three months ended March 31,	
	2024	2023
Cash flows from operating activities		
Net loss	\$ (2,358)	\$ (5,829)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	225	587
Impairment of fixed assets	398	—
Impairment of operating lease right-of-use assets	254	—
Unrealized Gain on marketable securities	(92)	(206)
Foreign currency remeasurement loss	166	85
Amortization of operating lease right of use asset	286	416
Stock-based compensation	282	612
(Gain) loss on equity investment	(43)	(25)
Changes in assets and liabilities:		
Decrease in inventory	66	166
Increase (decrease) in accounts receivable	(1,223)	843
Increase in other assets, current and non-current	(594)	(469)
Increase in deferred revenue	29	6
Decrease in other liabilities, current and non-current	(1,987)	(2,567)
Increase in accounts payable	909	516
Net cash used in operating activities	(3,682)	(5,865)
Cash flows from investing activities		
Acquisition of property and equipment	(291)	(1,404)
Investment in marketable securities	(80)	(1,882)
Acquisition of intangibles	—	(4)
Net cash used in investing activities	(371)	(3,290)
Cash flows from financing activities		
Payments for shares withheld on vesting	—	(22)
Net cash used in financing activities	—	(22)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(67)	8
Decrease in cash, cash equivalents and restricted cash	(4,120)	(9,169)
Cash, cash equivalents, and restricted cash at beginning of the period	9,188	19,789
Cash, cash equivalents, and restricted cash at end of the period	<u>\$ 5,068</u>	<u>\$ 10,620</u>
Cash paid for		
Interest	\$ —	\$ —
Income taxes	—	\$ —
Non-cash investing and financing transactions		
Capital expenditures included in Accounts payable, accrued expenses and other current liabilities	\$ 17	\$ 38

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

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

Note 1. Business, Basis of Presentation and Liquidity

Overview

XWELL is a global wellness company operating multiple brands and focused on bringing restorative, regenerative and reinvigorating products and services to travelers. XWELL currently has four reportable operating segments: XpresSpa®, XpresTest®, Naples Wax Center and Treat™.

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

XpresSpa

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

As of March 31, 2024, there were 21 domestic XpresSpa locations in total, 19 Company-owned locations and two franchises. The Company also had 11 international locations operating as of March 31, 2024, including two XpresSpa locations in Dubai International Airport in the United Arab Emirates, one XpresSpa location in Zayed International Airport in Abu Dhabi, UAE, three XpresSpa locations in Schiphol Amsterdam Airport in the Netherlands and five XpresSpa locations in the Istanbul Airport in Turkey.

XpresTest

The Company, in partnership with certain COVID-19 testing partners, successfully launched its XpresCheck Wellness Centers, in June of 2020, through its XpresTest, Inc. subsidiary (“XpresTest”), which offered COVID-19 and other medical 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 during the pandemic. During 2022 and 2023, as countries continued to relax their testing requirements resulting in rapid decline of testing volumes at the Company’s XpresCheck locations, the Company closed XpresCheck Wellness Centers. As of December 31, 2023, we have closed all XpresCheck locations.

XWELL’s subsidiary, XpresTest, Inc (“XpresTest”) began conducting bio surveillance monitoring with the Centers for Disease Control and Prevention (CDC) in collaboration with Concentric by Ginkgo BioWorks in 2021. The program was extended in January 2022 and renewed in August of 2022 and 2023. In March 2024, the program funding and scope were expanded.

HyperPointe

XWELL’s subsidiary, gcg Connect, LLC, operating as HyperPointe, provides direct to business marketing support across a number of health and health-related channels. From the creation of marketing campaigns for the pharmaceutical industry, to learning management systems to website and health related content creation, HyperPointe is a complementary service provider to XWELL’s health-focused brands as well as providing the majority of services to the external community.

For reporting purposes, the former HyperPointe segment has been consolidated into the XpresTest segment.

Treat

Treat, which is operating through XWELL's subsidiary Treat, Inc. ("Treat") is a wellness brand that provides access to wellness services for travelers at on-site centers (currently located in JFK International Airport). In April 2024, the decision was made to close the location in the Salt Lake City International Airport.

Treat offers a full retail product offering and a suite of wellness and spa services. Travelers can purchase time blocks to use our wellness rooms to engage in interactive services like self-guided yoga, meditation and low impact weight exercises or to relax and unplug from the hectic pace of the airport and renew themselves before or after their trip.

Naples Wax Center

XWELL's subsidiary Naples Wax Center, LLC, which was acquired on September 12, 2023, for a purchase price of \$1,624 operates three high-performing locations with core products and service offerings from face and body waxing to a range of skincare and cosmetic products. The acquisition of Naples Wax Center is intended to enable the Company to move beyond its airport client base with a business that can be adapted to a larger wellness platform while also growing its retail footprint to serve long-term financial goals.

TreatStudios

In Q4 of 2023, the Company began plans to open its first TreatStudios location in Jacksonville, Florida in 2024. TreatStudios is an out-of-airport concept providing leased space to established wellness service providers. Revenue will be derived from both lease payments received from the wellness practitioners and the sale of retail at the wellness center.

The Company believes that these strategic imperatives will be accomplished through development of an infrastructure specifically focused on enabling scalable and efficient growth.

Basis of Presentation and Principles of Consolidation

The unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted 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, 2023, as amended. The consolidated balance sheet as of December 31, 2023 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. 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 months ended March 31, 2024 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.

Reverse Stock Split

On September 28, 2023, the Company effected a 1-for-20 reverse stock split, (the "Reverse Stock Split") whereby every twenty shares of its Common Stock were reduced to one share of its Common Stock and the price per share of its Common Stock was multiplied by 20. All references to shares and per share amounts have been adjusted to reflect the reverse stock split.

Liquidity and Financial Condition

As of March 31, 2024, the Company had cash and cash equivalents of \$4,317 (excluding restricted cash), \$14,784 in marketable securities, and total current assets of \$24,456. The Company's total current liabilities balance, which includes accounts payable, deferred revenue, accrued expenses, and operating lease liabilities was \$9,187 as of March 31, 2024 and \$9,330 as of December 31, 2023. The working capital surplus was \$15,269 as of March 31, 2024, compared to a working capital surplus of \$17,236 as of December 31, 2023.

The Company significantly reduced operating and overhead expenses in the second half of 2023, while it continues to focus on returning to overall profitability.

The Company has taken actions to improve its overall cash position, right sizing its corporate structure and streamlining its operations. The Company is pursuing strategic partnerships that the Company expects will further strengthen the long-term profitability of the business.

Note 2. Accounting and Reporting Policies

Use of estimates

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

Revenue Recognition Policy

XpresSpa, Treat and Naples Wax Center

The Company recognizes revenue from the sale of products and services when the services are rendered at XpresSpa, Treat, and Naples Wax Centers locations and from the sale of products at the time products are purchased at the Company's stores or online usually by credit card, net of discounts and applicable sales taxes. Accordingly, the Company recognizes revenue for the Company's single performance obligation related to both in-store and online sales at the point at which the service has been performed or the control of the merchandise has passed to the customer.

XpresTest

During the third quarter of 2022, XpresTest, in partnership with Ginkgo BioWorks in continuation of their support to the CDC's traveler-based SARS-CoV-2 genomic surveillance program was awarded a new contract. The partnership is expected to support public health and biosecurity services totaling approximately \$16,000, with an overall potential to exceed \$61,000 based on CDC program options and public health priorities. As COVID-19 sub-variants and other biological threats continue to emerge, the partners plan to expand the program footprint and incorporate innovative modalities and offerings, such as monitoring of wastewater from aircraft lavatories. The current contract with Ginkgo BioWorks related to the above partnership contains fixed pricing for which the Company is entitled to \$10,674 for the sample collection (passenger and aircraft wastewater) and \$370 for the traveler enrollment initiatives, which represents the amount of consideration that we are entitled. The Company recognizes revenue over time for both sample collection performance obligations, using the input method based on time elapsed to measure progress towards satisfying each of the performance obligations. We recognized the revenue for the traveler enrollment initiative performance obligation in the second quarter of 2023. The Company recognizes revenue ratably (straight line basis) over the term of the contract (one year). The Company recorded \$3,306 and \$1,670, in revenue for the three months ended March 31, 2024 and 2023, respectively, related to sample collection performance obligations because the Company's efforts towards satisfying each of the performance obligations are expended evenly throughout the period of performance.

HyperPointe

The Company's HyperPointe business provides a broad range of service and support options for HyperPointe's customers, including technical support services and advanced services. Technical support services represent the majority of these offerings which are distinct performance obligations that are satisfied over time with revenue recognized ratably over the contract term. Advanced services are distinct performance obligations that are satisfied over time with revenue recognized as services are delivered. Revenues billed in advance are treated as deferred revenue, which was \$87 and \$72 as of March 31, 2024 and December 31, 2023, respectively.

The Company excludes all sales taxes assessed to our customers from revenue. Sales taxes assessed on revenues are included in Accrued expenses and other current liabilities on the Company's condensed consolidated balance sheets until remitted to state agencies.

Gift cards, customer rewards and prepaid packages

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

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

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

Naples Wax Center offers prepaid wax packages that are either unlimited for one year or a set number of services. When the packages are purchased, the sales are recorded as deferred revenue. As services related to prepaid packages are used, revenue is recognized as income. The deferred revenue as of March 31, 2024 was \$794 and for the year ended December 31, 2023 deferred revenue was \$778.

Translation into United States dollars

The Company conducts certain transactions in foreign currencies, which are recorded at the exchange rate as of the transaction date. All exchange gains and losses occurring from the remeasurement of monetary balance sheet items denominated in non-dollar currencies are deemed non-operating income in the condensed consolidated statements of operations and comprehensive loss. During the three months ended March 2024, the Company recorded \$166 in exchange losses occurring from the remeasurement of monetary balance sheet items denominated in non-dollar currencies. During the three months ended March 2023, the Company recorded \$85 in exchange gain.

Accounts of the foreign subsidiaries of XpresSpa are translated into United States dollars. Assets and liabilities have been translated primarily at period end exchange rates and revenues and expenses have been translated at average monthly rates for the three months ended March 31, 2024. The translation adjustments arising from the use of different exchange rates are included as foreign currency translation within the condensed consolidated statements of operations and comprehensive income (loss) and condensed consolidated statements of changes in stockholders' equity.

Business Combinations

The Company uses the provisions of ASC Topic 805, Business Combinations ("ASC 805") in the accounting for acquisitions of businesses. ASC 805 requires the Company to use the acquisition method of accounting by recognizing the identifiable tangible and intangible assets acquired and liabilities assumed, and any non-controlling interest in the acquired business, measured at their acquisition date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the aforementioned amounts.

While the Company uses its best estimates and assumptions to accurately apply preliminary values to assets acquired and liabilities assumed at the acquisition date, these estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of the assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded in the condensed consolidated statements of operations.

Accounting for business combinations requires management to make significant estimates and assumptions, especially at the acquisition date, including estimates for intangible assets. Although the Company believes the assumptions and estimates that have been made are reasonable and appropriate, they are based in part on historical experience and

information obtained from the acquired companies and are inherently uncertain. Estimates in valuing certain of the intangible assets the Company has acquired include future expected cash flows, and discount rates.

Intangible assets

Intangible assets include customer relationships, trade names, and technology, which were primarily acquired as part of the acquisition of XpresSpa in December 2016, HyperPointe in 2022 and Naples Wax Center in 2023 and were recorded based on the estimated fair value in purchase price allocation. In addition, intangible assets include software and website development costs that were capitalized as part of the Company's development of a mobile application and website for the Treat brand. The Company accounts for these costs in accordance with ASC 350-40, Internal-Use Software. The intangible assets are amortized over their estimated useful lives, which are periodically evaluated for reasonableness.

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

Goodwill

Goodwill represents the cost of a business acquisition in excess of the fair value of the net assets acquired. Goodwill is not amortized and is reviewed for impairment annually, or more frequently if facts and circumstances indicate that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If it is more likely than not that the fair value of a reporting unit is less than its carrying amount, the company performs a quantitative test to identify and measure the amount of goodwill impairment loss. The Company compares the fair value of the reporting unit with its carrying amount. If the carrying amount exceeds fair value, goodwill of the reporting unit is considered impaired, and that excess is recognized as a goodwill impairment loss. During the quarter ended March 31, 2024, the Company did not record any goodwill impairment loss.

Reclassification

Certain balances in the unaudited condensed consolidated financial statements for the three months ended March 31, 2023 have been reclassified to conform to the presentation in the unaudited condensed consolidated financial statements for the three months ended March 31, 2024, primarily the presentation of revenue, general and administrative expense, foreign currency exchange gain, and the realized and unrealized gain on investments and other operating expenses. The above separation affected revenue classifications, general and administrative expenses, foreign currency exchange gain, and the realized and unrealized gain on investments and other operating expenses in the comparative 2023 financial statements. Such reclassifications did not have a material impact on the unaudited condensed consolidated financial statements.

Impairment of Long-Lived Assets

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

The estimates used to calculate future cash flows are subjective in nature and involve uncertainties and matters of significant judgments and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimated fair value of each asset group. The Company will calculate the future cash flow using what it believes to be the most predictable of several scenarios. Typically, the changes in assumptions run under different business scenarios would not result in a material change in the assessment of the potential impairment or the impairment amount of a locations long-lived asset group. But if these estimates or related assumptions were to change materially, the Company may be required to record an impairment charge.

During the three months ended March 31, 2024 the Company recorded impairment of long-lived assets of \$652 compared with \$0 impairment of long-lived assets in March 2023.

Recently Issued Accounting Standards

ASU No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures

In November 2023, the Financial Accounting Standards Board (FASB) issued ASU No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures (ASU 2023-07), which requires an enhanced disclosure of significant segment expenses on an annual and interim basis. This guidance will be effective for the annual periods beginning the year ended December 31, 2024, and for interim periods beginning January 1, 2025. Early adoption is permitted. Upon adoption, the guidance should be applied retrospectively to all prior periods presented in the financial statements. The Company is currently evaluating segment expense disclosures related to its annual report for fiscal year 2024.

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

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures (ASU 2023-09), which improves the transparency of income tax disclosures by requiring consistent categories and greater disaggregation of information in the effective tax rate reconciliation and income taxes paid disaggregated by jurisdiction. It also includes certain other amendments to improve the effectiveness of income tax disclosures. This guidance will be effective for the annual periods beginning the year ended December 31, 2025. Early adoption is permitted. Upon adoption, the guidance can be applied prospectively or retrospectively. The Company is currently evaluating income tax disclosures related to its annual report for fiscal year 2025.

Note 3. Potentially Dilutive Securities

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

	Three months ended March 31,	
	2024	2023
Basic numerator:		
Net loss attributable to XWELL, Inc.	\$ (2,512)	\$ (5,509)
Basic denominator:		
Basic weighted average shares outstanding	4,182,617	4,167,295
Basic loss per share	\$ (0.60)	\$ (1.32)

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

Both vested and unvested options to purchase an equal number of shares of Common Stock	452,474	384,719
Unvested RSUs to issue an equal number of shares of Common Stock	6,458	16,319
Warrants to purchase an equal number of shares of Common Stock	—	200
Total number of potentially dilutive securities excluded from the calculation of earnings/(loss) per share attributable to common shareholders	458,932	401,238

Reverse Stock Split

On September 28, 2023, the Company effected a 1-for-20 reverse stock split, (the “Reverse Stock Split”) whereby every twenty shares of its Common Stock were reduced to one share of its Common Stock and the price per share of its Common Stock was multiplied by 20. All references to shares and per share amounts have been adjusted to reflect the reverse stock split.

Note 4. Cash, Cash Equivalents, and Restricted Cash

A reconciliation of the Company’s cash and cash equivalents in the Unaudited Condensed Consolidated Balance Sheets to cash, cash equivalents and restricted cash in the Unaudited Condensed Consolidated Statements of Cash Flows as of March 31, 2024 and December 31, 2023 is as follows:

	March 31, 2024	December 31, 2023
Cash denominated in United States dollars	\$ 1,875	\$ 5,726
Cash denominated in currency other than United States dollars	2,155	2,395
Restricted cash	751	751
Credit and debit card receivables	287	316
Total cash, cash equivalents and restricted cash	\$ 5,068	\$ 9,188

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 March 31, 2024, and December 31, 2023, deposits in excess of FDIC limits were \$932 and \$4,195, respectively. As of March 31, 2024, and December 31, 2023, the Company held cash balances in overseas accounts, totaling \$2,155 and \$2,395 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 5. Other current assets

As of March 31, 2024 and December 31, 2023, other current assets consisted of the following:

	March 31, 2024	December 31, 2023
Prepaid expenses	\$ 1,602	\$ 894
Other	19	55
Total other current assets	\$ 1,621	\$ 949

Note 6. Intangible Assets

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

	March 31, 2024			December 31, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trade names	\$ 200	\$ (12)	\$ 188	\$ 200	\$ (6)	\$ 194
Customer relationships	1,012	(366)	646	1,012	(341)	671
Software	2,593	(2,174)	419	2,593	(2,120)	473
Licenses	35	(24)	11	35	(20)	15
Total intangible assets	\$ 3,840	\$ (2,576)	\$ 1,264	\$ 3,840	\$ (2,487)	\$ 1,353

The Company's intangible assets are amortized over their expected useful lives. The Company recorded amortization expense of \$84 and \$382 during the three months ended March 31, 2024 and 2023, respectively.

Based on the intangible assets balance as of March 31, 2024, 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 2024	\$ 229
2025	307
2026	228
2027	122
2028	122
Thereafter	256
Total	\$ 1,264

Note 7. Accrued expenses and other current liabilities

As of March 31, 2024 and December 31, 2023, accrued expenses and other current liabilities consisted of the following:

	March 31, 2024	December 31, 2023
Litigation accrual	\$ 424	\$ 449
Accrued compensation	1,184	2,098
Tax-related liabilities	485	501
Common area maintenance accruals	495	8
Accounts payable accruals	235	913
Gift certificates	508	509
Credit card processing fees	5	8
Other miscellaneous accruals	359	482
Total accrued expenses and other current liabilities	\$ 3,695	\$ 4,968

Note 8. Acquisition of Naples Wax, LLC

On September 12, 2023, the Company acquired all of the equity interests in Naples Wax, LLC, d/b/a Naples Wax Centers, a Florida limited liability company (“Naples Wax”), for an aggregate purchase price of \$1,624, of which \$1,574 was paid in cash at closing. The remaining \$50 was held for six months as a holdback to cover any potential indemnification claims. \$14 was paid in the quarter ended March 31, 2024. The remaining \$36 was offset by operating expenses.

The Company applies the provisions of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 805, Business Combinations (“ASC 805”) in the accounting for acquisitions of businesses. ASC 805 requires the Company to use the acquisition method of accounting by recognizing the identifiable tangible and intangible assets acquired and liabilities assumed, and any non-controlling interest in the acquired business, measured at their acquisition date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the aforementioned amounts.

While the company uses its best estimates and assumptions to accurately apply preliminary values to assets acquired and liabilities assumed at the acquisition date, these estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. As of March 31, 2024, no impairment of the Company’s goodwill was required. The purchase accounting for the acquisition remains incomplete as management continues to gather and evaluate information about circumstances that existed as of the acquisition date. Upon the conclusion of the measurement period or final determination of the values of the assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded in the condensed consolidated statements of operations.

Accounting for business combinations requires management to make estimates and assumptions, especially at the acquisition date, including estimates for intangible assets. Although the Company believes the assumptions and estimates that have been made are reasonable and appropriate, they are based in part on historical experience and information obtained from the acquired companies and are inherently uncertain. Estimates in valuing certain of the intangible assets the Company has acquired include future expected cash flows, and discount rates.

For income tax purposes, this acquisition of 100% of the units is treated as an asset acquisition. As a result of the acquisition of Naples Wax, the company generated tax deductible goodwill of \$1,371.

Note 9. Leases

The Company leases spa and clinic locations at various domestic and international airports. Additionally, the Company leases its corporate office in New York City and other off airport locations in various US cities. Certain leases entered into by the Company are accounted for in accordance with ASC 842. The Company determines if an arrangement is a lease at

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inception and if it qualifies under ASC 842. The Company's lease arrangements generally contain fixed payments throughout the term of the lease and most also contain a variable component to determine the lease obligation where a certain percentage of sales is used to calculate the lease payments. The Company enters into leases that expire, are amended and extended, or are extended on a month-to-month basis. Leases are not included in the calculation of the total lease liability and the right of use asset when they are month-to-month.

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

The Company reviews all of its existing lease agreements to determine whether there were any modifications to lease agreements and to assess if any agreements should be accounted for pursuant to the guidance in ASC 842.

The following is a summary of the activity in the Company's current and long-term operating lease liabilities for the three months ended March 31, 2024 and 2023:

	Three months ended March 31,	
	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ (835)	\$ (973)

As of March 31, 2024, operating leases contain the following future minimum commitments:

Calendar Years ending December 31,	Amount
Remaining 2024	\$ 2,577
2025	3,054
2026	1,979
2027	1,866
2028	1,497
2029	1,273
Thereafter	2,609
Total future lease payments	14,855
Less: interest expense at incremental borrowing rate	(2,745)
Net present value of lease liabilities	\$ 12,110

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

Weighted average remaining lease term:	5.95 years
Weighted average discount rate used to determine present value of operating lease liability:	7.33 %

Cash paid for minimum annual rental obligations for the three months ended March 31, 2024 and 2023, were \$450 and \$662 respectively.

Variable lease payments calculated monthly as a percentage of a product and services revenue were \$360 and \$345 for the three months ended March 31, 2024 and 2023 respectively.

Note 10. Other Assets

As of March 31, 2024 and December 31, 2023, assets consisted of the following:

	March 31, 2024	December 31, 2023
Equity investments	\$ 92	\$ 50
Lease deposits	1,523	1,556
Other	170	236
Other assets	<u>\$ 1,785</u>	<u>\$ 1,842</u>

Note 11. Stockholders' Equity*2023 Reverse Stock Split*

On September 28, 2023, we effected the "Reverse Stock Split", whereby every twenty shares of our common stock were reduced to one share of our common stock and the price per share of our common stock was multiplied by 20. All references to shares and per share amounts, including shares of common stock underlying stock options, warrants, and applicable exercise prices, have been retroactively adjusted for all periods presented herein to give effect to the Reverse Stock Split as required in accordance with United States of America generally accepted accounting principles.

Stock-based Compensation

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

In September 2020, the Board of Directors approved a new stock-based compensation plan available to grant stock options, restricted stock and Restricted Stock Units ("RSU's") aggregating to 250,000 shares of Common Stock, to the Company's directors, employees and consultants. Shareholder approval of the plan was subsequently obtained on October 28, 2020. On October 4, 2022, shareholders approved the amendment to the Company's 2020 Equity Incentive Plan to increase the number of shares authorized for issuance under the Plan by 375,000 shares of Common Stock to an aggregate of 625,000 shares. Under the 2020 Equity Incentive Plan (the "2020 Plan"), a maximum of 141,120 shares of Common Stock remained available for issuance as of March 31, 2024.

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

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 March 31, 2024. 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 March 31, 2024 and 2023, there was \$74 and \$167 respectively of unrecognized stock-based compensation related to the XpresTest Plan.

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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:	\$	1.50
Exercise price:	\$	1.50
Expected volatility:		121.04 %
Expected dividend yield:		0 %
Annual average risk-free rate:		4.14 %
Expected term:		6.32 years

Total stock-based compensation for the three months ended March 31, 2024 and 2023 is \$282 and \$612, respectively.

The following tables summarize information about stock options and RSU activity for the three months ended March 31, 2024:

	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, 2023	11,944	\$ 6.08	5.00	\$ 47,570	341,205	\$ 26.85	\$ 4.60 - 49,200
Granted	—	-	—	—	150,000	\$ 1.50	1.50
Exercised/Vested	(2,986)	6.13	—	—	—	—	—
Forfeited	(2,500)	5.09	—	—	(29,278)	\$ 17.40	\$ 1.50 - 34.40
Expired	—	—	—	—	(9,453)	\$ 67.89	\$ 8.00 - 49,200
Outstanding as of March 31, 2024	<u>6,458</u>	\$ 6.74	<u>5.00</u>	\$ 47,570	<u>452,474</u>	\$ 18.20	\$ 1.50 - 7,080
Exercisable as of March 31, 2024					<u>272,683</u>	\$ 25.07	\$ 4.60- 7,080

Note 12. 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 three months ended March 31, 2024, reflects an estimated global annual effective tax rate of approximately 0% from continuing operations.

As of March 31, 2024, 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/(benefit) for the three months ended March 31, 2024 was \$0 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 13. Commitments and Contingencies

Certain of the Company's outstanding legal matters include speculative claims for substantial or indeterminate amounts of damages. The Company regularly evaluates developments in its legal matters that could affect the amount of any potential liability and adjusts as appropriate. A 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 \$424 and \$449 as of March 31, 2024 and December 31, 2023, respectively, which is included in 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.

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

On May 9, 2022, a lawsuit was filed in the Philadelphia Court of Common Pleas by OTG Management at Philadelphia International Airport, claiming that XWELL improperly backed out of its sublease for space at Terminal B and now owes between \$864 and \$2,250 in accelerated rent for the 12-year contract. They claim that by refusing to complete the project, failing to commence and maintain operations, refusing to pay rent and improperly purporting to terminate the lease (among other acts and omissions), XWELL breached the lease. On January 9, 2024, the court placed the matter on Civil Suspense.

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

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

Leases

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

Note 14. Segment Information

As a result of the Company's transition to a pure-play wellness services company, the Company currently has four reportable operating segments: XpresSpa, XpresTest, Naples Wax Center, and Treat. The Company analyzes the results of the Company's business through the four reportable segments. The XpresSpa segment provides travelers premium spa services, including massage, nail and skin care, as well as spa and travel products. The XpresTest segment provided diagnostic COVID-19 tests at XpresCheck Wellness Centers in airports, to airport employees and to the traveling public but has transitioned to the CDC's bio-surveillance program. XpresTest's HyperPointe business provides a broad range of service and support options for its customers, including technical support services and advanced services. The Treat segment is a wellness brand that provides access to wellness services for travelers at on-site centers. The Naples Wax Center segment operates three high-performing locations with core products and service offerings from face and body waxing to a range of skincare and cosmetic products. The Treat segment is a wellness brand that provides access to wellness services for travelers at on-site centers.

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 March 31,	
	2024	2023
Revenue		
XpresSpa	\$ 4,345	\$ 4,499
XpresTest	3,643	2,360
Naples Wax	648	—
Treat	90	204
Total revenue	\$ 8,726	\$ 7,063

	2024		2023	
	Operating loss			
XpresSpa	\$ (2,107)	\$ (3,132)		
XpresTest	1,670	(281)		
Naples Wax	(78)	—		
Treat	(673)	(444)		
Corporate and other	(1,191)	(2,431)		
Total operating loss	\$ (2,379)	\$ (6,288)		

	2024		2023	
	Depreciation & amortization			
XpresSpa	\$ 132	\$ 423		
XpresTest	26	86		
Naples Wax	31	—		
Treat	19	65		
Corporate and other	17	13		
Total depreciation & amortization	\$ 225	\$ 587		

	For the three months ended March 31,	
	2024	2023
Capital expenditures		
XpresSpa	\$ 261	\$ 834
XpresTest	28	28
Naples Wax	22	—
Treat	—	33
Corporate and other	—	7
Total capital expenditures	\$ 311	\$ 902

	March 31, 2024		December 31, 2023	
	Long-lived Assets			
XpresSpa	\$ 8,383	\$ 8,268		
XpresTest	58	92		
Naples Wax	2,711	1,371		
Treat	28	669		
Corporate and other	406	438		
Total long-lived Assets	\$ 11,586	\$ 10,838		

	March 31, 2024		December 31, 2023	
	Assets			
XpresSpa	\$ 19,098	\$ 18,453		
XpresTest	3,197	2,408		
Naples Wax	3,784	2,951		
Treat	524	848		
Corporate and other	10,874	14,333		
Total assets	\$ 37,477	\$ 38,993		

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 (the “Exchange Act”). Forward-looking statements are often identified by the use of words such as, but not limited to, “anticipates,” “believes,” “can,” “continues,” “could,” “estimates,” “expects,” “intends,” “may,” “will 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, 2023 filed on April 16, 2024, as subsequently amended on April 17, 2024 and April 29, 2024 (the “Annual Report”) 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 XWELL, Inc., a Delaware corporation, and its consolidated subsidiaries.

Overview

XWELL is a global wellness company operating multiple brands and focused on bringing restorative, regenerative and reinvigorating products and services to travelers. XWELL currently has four reportable operating segments: XpresSpa®, XpresTest®, Naples Wax Center and Treat™.

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

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

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

We will be looking to further expand internationally. With international travel slowly returning to pre-pandemic levels, we continue to be opportunistic in our approach, by taking advantage of the current market to growth. We believe a strategy for international expansion further advances our ability to expand our other brands including bio surveillance outside of the US.

XpresSpa

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

As of March 31, 2024, there were 21 domestic XpresSpa locations in total, 19 Company-owned locations and two franchises. We also had 11 international locations operating as of March 31, 2024, including two XpresSpa locations in Dubai International Airport in the United Arab Emirates, one XpresSpa location in Zayad International Airport in Abu Dhabi, UAE, three XpresSpa locations in Schiphol Amsterdam Airport in the Netherlands and five XpresSpa locations in the Istanbul Airport in Turkey.

XpresTest

We, in partnership with certain COVID-19 testing partners, successfully launched its XpresCheck Wellness Centers, in June of 2020, through our XpresTest, Inc. subsidiary ("XpresTest"), which offered 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 during the pandemic. During 2022 and 2023, as countries continued to relax their testing requirements resulting in rapid decline of testing volumes at the Company's XpresCheck locations, the Company closed XpresCheck Wellness Centers. As of December 31, 2023, we have closed all XpresCheck locations.

XpresTest began conducting bio surveillance monitoring with the Centers for Disease Control and Prevention (CDC) in collaboration with Concentric by Ginkgo BioWorks in 2021 and on January 31, 2022, we announced the extension of our initial program, bringing the total contract to \$5,537. As of August 2022, the program was renewed in partnership with Ginkgo BioWorks. A new two-year contract was initiated which represents approximately \$7,330 in revenue (for the first year) for the XpresTest segment.

The program was renewed in August 2023 through a new one-year contract. The revenue to XpresTest from such one-year extension totaled approximately \$7,044. In March 2024, the program funding and scope were expanded, a revenue increase of \$4,000, to an estimated \$11,044 in revenue for XpresTest with new collection locations at U.S. international airports in Miami (MIA) and Chicago (ORD) and the roll out of multi-pathogen testing across the program.

HyperPointe

XWELL's subsidiary, gcg Connect, LLC, operating as HyperPointe, provides direct to business marketing support across a number of health and health-related channels. From the creation of marketing campaigns for the pharmaceutical industry, to learning management systems to website and health related content creation, HyperPointe is a complementary service provider to our health-focused brands as well as providing the majority of services to the external community.

For reporting purposes, HyperPointe has been consolidated into the XpresTest segment.

Treat

Treat, which is operating through our subsidiary Treat, Inc. ("Treat") is a wellness brand that provides access to wellness services for travelers at on-site centers (currently located in JFK International Airport). In April 2024, the decision was made to close the location in the Salt Lake City International Airport.

Treat offers a full retail product offering and a suite of wellness and spa services. Travelers can purchase time blocks to use our wellness rooms to engage in interactive services like self-guided yoga, meditation, and low impact weight exercises or to relax and unplug from the hectic pace of the airport and renew themselves before or after their trip.

Naples Wax Center

On September 12, 2023, we acquired Naples Wax, LLC, a group of upscale hair removal boutiques in Florida, for a purchase price of \$1,624. Aiming to provide a memorable customer experience, Naples Wax Center operates three high-performing locations with core products and service offerings from face and body waxing to a range of skincare and cosmetic products. The acquisition of Naples Wax Center is intended to enable us to move beyond our airport client base with a business that can be adapted to a larger wellness platform while also growing our retail footprint to serve our long-term financial goals.

TreatStudios

Further, in Q4 of 2023, the Company began plans to open its first TreatStudios location in Jacksonville, Florida in 2024. TreatStudios is an out-of-airport concept providing leased space to established wellness service providers. Revenue will be derived from both lease payments received from the wellness practitioners and the sale of retail at the wellness center.

We believe that these strategic imperatives will be accomplished through development of an infrastructure specifically focused on enabling scalable and efficient growth.

2023 Reverse Stock Split

On September 28, 2023, we effected a 1-for-20 reverse stock split, whereby every twenty shares of our common stock were reduced to one share of our common stock and the price per share of our common stock was multiplied by 20. All references to shares and per share amounts, including shares of common stock underlying stock options, warrants, and applicable exercise prices, have been retroactively adjusted for all periods presented herein to give effect to the Reverse Stock Split as required in accordance with United States of America generally accepted accounting principles.

Results of Operations

Revenue

We recognize revenue from the sale of XpresSpa, Treat and Naples Wax 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.

During the third quarter of 2022, XpresTest, in partnership with Ginkgo BioWorks in continuation of their support to the CDC's traveler-based SARS-CoV-2 genomic surveillance program was awarded a new contract. We recognize revenue over time for both sample collection performance obligations, using the input method based on time elapsed to measure progress towards satisfying each of the performance obligations. The Company recognizes revenue ratably (straight line basis) over the term of the contract (one year).

HyperPointe provides a broad range of service and support options for our customers, including technical support services and advanced services. Technical support services represent the majority of these offerings which are distinct performance obligations that are satisfied over time with revenue recognized ratably over the contract term.

Cost of sales

Cost of sales for our XpresSpa, XpresTest, Naples Wax and Treat segments consist of location and segment level costs. Location and segment level costs include all costs that are directly attributable to operations, primarily payroll and related benefit costs for personnel, occupancy costs and cost of products sold.

Other general and administrative expenses

Other 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 directors, management and administrative personnel.

Three months ended March 31, 2024, compared to the three months ended March 31, 2023**Revenue**

	Three months ended March 31,		
	2024	2023	Variance
Total revenue	\$ 8,726	\$ 7,063	\$ 1,663

The increase in revenue of \$1,663 or 24%, was primarily due to the increase in the XpresTest CDC contract and the addition of Naples Wax.

Cost of sales

	Three months ended March 31,		
	2024	2023	Variance
Cost of sales	\$ 6,055	\$ 6,541	\$ (486)

The decrease in cost of sales of \$486 or 7%, is a result of 3 XpresSpa locations closing during 2023. The largest component in the cost of sales is labor costs at the location-level. Cost of sales also includes rent and related occupancy costs, which can primarily include rent based on percentage of sales, as well as other product costs directly associated with the procurement of retail inventory, and other operating costs.

Depreciation and amortization

	Three months ended March 31,		
	2024	2023	Variance
Depreciation and amortization	\$ 225	\$ 587	\$ (362)

The decrease in depreciation and amortization of approximately 62% was primarily due to the write-off of the stores that were permanently closed in 2023. Fewer locations resulted in lower depreciation of leasehold improvements. Depreciation and amortization expense also decreased because of the impairments and disposals of fixed assets during the year ended December 31, 2023.

	Three months ended March 31,		
	2024	2023	Variance
Loss on disposal of assets	\$ 652	\$ 132	\$ 520

The increase of approximately \$520 was primarily due to the write-off of the Salt Lake City International Airport Treat location that was closed as of May 1, 2024.

General and administrative expenses

	Three months ended March 31,		
	2024	2023	Variance
General and administrative	\$ 2,092	\$ 3,966	\$ (1,874)

The decrease of approximately 47% was primarily due to rightsizing our existing business and optimizing our cost structure. We have significantly reduced operating and overhead expenses since the second half of 2023, while we continue to focus on returning to overall profitability.

Salaries and benefits

	Three months ended March 31,		
	2024	2023	Variance
Salaries and benefits	\$ 2,081	\$ 2,125	\$ (44)

The decrease of approximately 2% was primarily due to headcount reductions as we continue rightsizing our existing business.

Other non-operating expense, net

	Three months ended March 31,		
	2024	2023	Variance
Other non-operating income (expense), net	\$ (58)	\$ (43)	\$ (15)

The following is a summary of the transactions included in other non-operating expense, net for the three months ended March 31, 2024 and 2023:

	Three months ended March 31,	
	2024	2023
Bank fees and financing charges	(48)	(43)
Other	(10)	—
Total	\$ (58)	\$ (43)

Interest income, net

	Three months ended March 31,		
	2024	2023	Variance
Interest income, net	\$ 110	\$ 393	\$ (283)

The decrease of \$283 was primarily due to having less cash in interest bearing accounts.

Liquidity and Capital Resources

As of March 31, 2024, we had \$4,317 of cash and cash equivalents (excluding restricted cash), \$14,784 in marketable securities, and total current assets of \$24,456. Our total current liabilities balance, which includes accounts payable, deferred revenue, accrued expenses, and operating lease liabilities was approximately \$9,187 as of March 31, 2024 and \$9,330 as of December 31, 2023. The working capital surplus was \$15,269 as of March 31, 2024, compared to a working capital surplus of \$17,236 as of December 31, 2023.

We have carried out an assessment of our ability to continue as a going concern. As of the date of this Quarterly Report on Form 10Q, we believe that our Company has sufficient liquidity to fund operations for the next twelve months. Our

primary liquidity and capital requirements are for the maintenance of our current XpresSpa and Treat locations and brand, as well as the expansion of Naples Wax and our off-airport strategy. During the three months ended March 31, 2024 and 2023, we used \$3,682 and \$5,865 in operations, respectively.

On August 31, 2021, our board of directors initially authorized a stock repurchase program that permitted the purchase and repurchase of up to 750,000 shares of our common stock through September 15, 2022. In May 2022, the Board increased the share repurchase program by an additional 500,000 shares and extended its effectiveness through September 15, 2023. Under this 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.

Critical Accounting Estimates

The unaudited condensed consolidated financial statements included with this Quarterly Report on Form 10Q 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, 2023, 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 applicable.

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 March 31, 2024, we 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.

This type of evaluation is performed on a quarterly basis so that conclusions of management, including our Chief Executive Officer and the Chief Financial Officer, concerning the effectiveness of the disclosure controls can be reported in our periodic reports on Form 10-Q and Form 10-K. The overall goals of these evaluation activities are to monitor our disclosure controls and to modify them as necessary. We intend to maintain the disclosure controls as dynamic systems that we adjust as circumstances merit. Based on the foregoing, our Chief Executive Officer and the Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of March 31, 2024.

Remediation Plan for Material Weakness in Internal Control over Financial Reporting

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

be effective as a result of these efforts. Management has commenced the following actions and will continue to assess additional opportunities for remediation on an ongoing basis:

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

Changes in Internal Control over Financial Reporting

Other than as set forth in the foregoing paragraph, there have been no changes in our internal control over financial reporting that occurred during the three months ended March 31, 2024 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 13. “*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, 2023.

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

None

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
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.**

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.

XWELL, Inc.

Date: May 15, 2024 By: /s/ Scott R. Milford
Scott R. Milford
Chief Executive Officer
(Principal Executive Officer)

Date: May 15, 2024 By: /s/ Suzanne A. Scrabis
Suzanne A. Scrabis
Chief Financial Officer
(Principal Financial and Accounting Officer)

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

I, Scott R. Milford, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of XWELL, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's 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: May 15, 2024

/s/ SCOTT R. MILFORD

Chief Executive Officer
(Principal Executive Officer)

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

I, Suzanne A. Scrabis, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of XWELL, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's 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: May 15, 2024

/s/ SUZANNE A. SCRABIS

Chief Financial Officer
(Principal Financial and Accounting Officer)

**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 XWELL, Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The Quarterly Report for the quarter ended March 31, 2024 (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: May 15, 2024

/s/ SCOTT R. MILFORD

Scott R. Milford
Chief Executive Officer
(Principal Executive Officer)

/s/ SUZANNE A. SCRABIS

Suzanne A. Scrabis
Chief Financial Officer
(Principal Financial and Accounting Officer)
