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ProPhase Labs Announces Substantial Growth Expectations for Pharmaloz Manufacturing Subsidiary due to Skyrocketing Demand for Pharmaloz Output.

Pharmaloz plan is to build capacity with a goal to attain a revenue run-rate of $60 to $80 million by year-end 2024, with 20-25% pre-tax net margins and a goal for additional growth thereafter.

Garden City, NY, Oct. 17, 2023 (GLOBE NEWSWIRE) -- ProPhase Labs, Inc. (NASDAQ: PRPH), a next generation biotech, genomics, therapeutics and diagnostics company, today unveiled the substantial expansion strategy for its wholly-owned subsidiary, Pharmaloz Manufacturing, Inc. (PMI). Pharmaloz is a large lozenge manufacturing facility and Contract Development and Manufacturing Organization (CDMO) and is wholly owned by ProPhase Labs. Pharmaloz offers private label and other services to well-known brands, as well as manufacturing our own, proprietary products.

Pharmaloz offers its customers ultra-high-quality products and sources from ingredient suppliers who provide us with top-quality ingredients. Our team embraces innovation and looks to formulate and implement new ideas that assist our customers in bringing them to life while answering consumer's needs.

The 2024 comprehensive plan aims to increase current lozenge production capacity by 400 % or more and thereby capture more of the expected increase in global demand for high-quality lozenges.

Highlights of the Growth Plan:

- Financial Goals: The company goal is to ramp up to a run-rate of $60-$80 million in annualized revenues by the conclusion of 2024. This could translate into $12-$20 million in annualized pre-tax net profits. Expanding the work week could further expand capacity and margins.

- Global Collaborations: Over the past year, Pharmaloz has been working with several world-renowned lozenge brands to finalize formulations. The possible demand generated from these collaborations has the potential to help us meet or even surpass our ambitious new targets.

- Regulatory Milestones: Pharmaloz has successfully cleared its extensive multi-year FDA inspection. This pivotal accomplishment satisfies a critical requirement for onboarding some

of the largest global prospects. Production for such prospective customers could begin as soon as early 2024.

- Operational Excellence: Year-to-date, the company has witnessed a 100% year-over-year growth in production in its non-Cold-EEZE contract manufacturing division and is currently capacity constrained.

- Capacity Enhancements: The first batch of a series of new, state-of-the-art automation equipment is scheduled for delivery and installation next month. This high-tech equipment is expected to boost existing capacity of the first lozenge line by close to 50% before the end of 2023. This should, in turn, increase revenues an additional 50% even before the next lozenge lines are installed.

- Future Outlook: Utilizing the current three-and-a-half workday schedule, Pharmaloz is projected to achieve a run-rate of $15 million in annualized revenues and a run-rate of $3+ million in gross profit during Q1 2024. Current demand already exceeds these estimates.

- Second Line of Production: Equipment for a second lozenge manufacturing line has already been ordered, with delivery and installation planned for Q2 2024. This addition will further expand capacity, increasing the ability to service an annualized run-rate of revenues to $30-$35 million by the start of Q3 2024, which, if attained, translates to a potential run-rate of $6-$9 million in annualized pre-tax net profits.

- Strategic Planning: In anticipation of further demand, Phamaloz has engaged one of the nation's top engineering firms to draft a three-year master plan, that includes planning for a fourfold increase in capacity by December 2024, with possible additional scaling from there.

- Sustainability and Added Margins: Once all new lines are operational, one line will be exclusively dedicated to the production of higher-margin organic lozenges, thereby continuing margin expansion and enhanced profitability.

Comments from our CEO

"In an era where the lozenge manufacturing landscape is fraught with challenges, Pharmaloz stands out as a beacon of reliability and quality," said Ted Karkus, CEO of ProPhase Labs. "We have a strategic moat, comprised of attention to detail, reliability and excellence of service that makes it exceedingly difficult for competitors to replicate our capabilities.

To duplicate from scratch what Pharmaloz has built, we believe a competitor would have to embark on a 5-year plan to find land, zone and build the plant, source equipment all of which has 12-18 months or greater lead times, hire and train a full staff including specialized chemists; and then wait 2-3 years for complete FDA inspection and validation. And this is before one even finds a customer willing to place any long-term, substantial orders. Accordingly, our own customers and customer prospects are currently seeking to lock in long-term contracts with Pharmaloz to ensure that they are not hit with supply shortages in the future.

Pharmaloz is rapidly evolving into a key pillar of growth for ProPhase Labs, potentially delivering not only substantial revenues and earnings but also, even as a standalone business, an asset that could command a valuation in excess of the current market

capitalization of the entire ProPhase Labs company.

We believe that current net working capital, accounts receivable, access to a mortgage as needed, and financing options for the equipment itself will adequately finance all capital requirements for the foreseeable future for Pharmaloz as well as our other assets that are in the development stage, some of which have multi-billion dollar potential," concluded Mr. Karkus.

About ProPhase Labs

ProPhase Labs, Inc. is a next generation biotech, genomics, therapeutics and diagnostics company committed to revolutionizing healthcare through innovation. We offer industry-leading Whole Genome Sequencing solutions and are actively developing groundbreaking diagnostics and therapeutics in the fight against cancer.

About Pharmaloz

Phamaloz Manufacturing, Inc., a wholly-owned subsidiary of ProPhase Labs, Inc., is a full-service contract manufacturer and private label developer of a broad range of non-GMO, organic and natural-based cough drops and lozenges and OTC drug and dietary supplement products. PMI provides consumer product development, pre-commercialization services, production, warehousing and distribution services for its customers. Pharmaloz's manufacturing facility, which is located in Lebanon, Pennsylvania, is registered with the U.S. Food and Drug Administration, and is certified organic and kosher.

For more information, visit www.ProPhaseLabs.com (http://www.ProPhaseLabs.com)

Forward Looking Statements

Except for the historical information contained herein, this document contains forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our strategy, plans, objectives and initiatives, including our plans to grow our subsidiaries and build a high revenue, highly valued company, our ability to quadruple production capacity at Pharmaloz by December 2024, our belief that such expansion will increase profit at Pharmaloz, our belief that the Pharmaloz manufacturing plant will be a steady revenue producer for years to come, the anticipated timing for delivery of new equipment for the Pharmaloz manufacturing plant and its ability to increase capacity and revenue of the first lozenge line by close to 50% before the end of 2023, the anticipated timing for Pharmaloz customers to enter production, our ability to finalize and consummate contracts with potential new Pharmaloz customers and the anticipated timing for delivery and installation of a second lozenge manufacturing line at Pharmaloz and potential increase in revenue resulting from such expansion.

Management believes that these forward-looking statements are reasonable as and when made. However, such forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause actual results to differ materially from those projected in the forward-looking statements. These risks and uncertainties include but are not limited to our ability to obtain and maintain necessary regulatory approvals, general economic conditions, consumer demand for our products and services, challenges relating to entering into and growing new business lines, the competitive environment, Pharmaloz's

ability to receive orders or contracts for the volume of business currently anticipated and the lack of assurance that such orders will be forthcoming, Pharmaloz's ability to attain the profit margins currently anticipated, the potential adverse impact to Pharmaloz's profit margins by matters outside its control, including but not limited to labor costs, availability of labor, ingredient costs and availability, equipment malfunctions, and unanticipated delivery difficulties, and the risk factors listed from time to time in our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and any other SEC filings. The Company undertakes no obligation to update forward-looking statements except as required by applicable securities laws. Readers are cautioned that forward-looking statements are not guarantees of future performance and are cautioned not to place undue reliance on any forward-looking statements.

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