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Pharmaloz Manufacturing Accelerates Expansion, Improves Pricing, Boosts Profitability and Secures New Contracts

**Pharmaloz Wins Two New Contracts in January that are Anticipated to Significantly Increase Lozenge Revenues and Profitability
Company in Late-Stage Discussions with Two Additional Large Global Brands Which, if Consummated, Could more than Triple Run-Rate of Revenues Before Year-End 2024**

Garden City, NY, Jan. 23, 2024 (GLOBE NEWSWIRE) -- ProPhase Labs, Inc. (NASDAQ: PRPH) ("ProPhase" or the "Company"), a next generation biotech, genomics, therapeutics and diagnostics company, today announces significant progress at Pharmaloz Manufacturing, Inc. (PMI), its wholly owned subsidiary.

With the implementation of recent price increases across its entire product line, PMI has transitioned to significant projected 2024 profitability starting with Q1 2024. In view of favorable current market conditions and demand for PMI's services and products, PMI is optimistic that it will experience continued favorable pricing for the near to intermediate term.

PMI's operational enhancements have helped drive its current success. PMI recently acquired cutting-edge automation equipment and, with other operating efficiencies, is set to escalate plant capacity by over 50%, raising annual production capability from below \$10 million to over \$15 million.

In addition to the price increases, increased capacity and transition to profitability, PMI has signed deals with two top-tier lozenge brands. These new arrangements are projected to inject an additional \$5 million in annual revenue and more than \$1.25 million in additional yearly pre-tax net profits. One of these brands is also poised to leverage PMI's comprehensive blister packing capabilities, further diversifying its manufacturing portfolio.

In addition to the contract awards announced above, PMI has been working on bench samples for the past year for two major global brands. These brands represent two of the largest names in the global lozenge market.

PMI is not stopping there. The installation of a second lozenge production line and further automation in Q2 2024 are projected to approximately double capacity to a \$30-\$35 million potential run-rate. Additional equipment set to arrive by Q4 2024 could increase annual production capabilities to a range of \$60-\$80 million, based on a 3 ½ day workweek. This production capacity could be further increased, if demand warrants it, with additional staffing to extend the workweek.

Ted Karkus, CEO of ProPhase Labs, reflects on this transformative journey: "What began as a modest manufacturing unit solely dedicated to our Cold-EEZE® contract manufacturing

has evolved into a top-tier facility producing premium lozenges for global brands. Our roadmap envisages scaling this business in the next 18-24 months from under \$10 million in annual revenue to a potential \$80-\$100 million production capacity with healthy net profit margins. With prospective global partnerships, we're collaborating with a leading engineering and consulting firm to potentially enhance production capacity to \$100-\$200 million in annual revenues by the end of 2025. Of course, there can be no assurance that we will in fact be able to win new business at these levels, or that such new business will deliver the projected gross margins, but that is the goal."

"The projected increased profitability at PMI will help offset some of the investment and expenses related to the development of our Nebula Genomics business and build out of our world-class whole genome sequencing lab in Garden City, NY, as well as preparation for the commercialization of our BE-Smart Esophageal Cancer test," Mr. Karkus concluded.

About ProPhase Labs

ProPhase Labs, Inc. (Nasdaq: PRPH) is a next-generation biotech, genomics, therapeutics and diagnostics company. Our goal is to create a healthier world with bold action and the power of insight. We're revolutionizing healthcare with industry-leading Whole Genome Sequencing solutions, while developing potential game changer diagnostics and therapeutics in the fight against cancer. This includes a potentially life-saving cancer test focused on early detection of esophageal cancer and potential breakthrough cancer therapeutics with novel mechanisms of action. Our world-class CLIA labs and cutting-edge diagnostic technology provide wellness solutions for healthcare providers and consumers. We develop, manufacture, and commercialize health and wellness solutions to enable people to live their best lives. We are committed to executional excellence, smart diversification, and a synergistic, omni-channel approach. ProPhase Labs' valuable subsidiaries, their synergies, and significant growth underscore our multi-billion-dollar potential.

About Pharmaloz

Pharmaloz 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.

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 expectation that recent price increases across PMI's product line will increase profitability, our expectation that the acquisition of automation equipment will escalate PMI plant capacity by over 50% and increase annual production, our belief that new commercial contracts with two top-tier lozenge brands will increase annual revenue and profits, our belief that the PMI

manufacturing plant will be a steady revenue producer for years to come, and the anticipated timing for delivery of new equipment for the PMI manufacturing plant and its ability to increase capacity and revenue. 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, 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.

For more information, visit www.ProPhaseLabs.com.

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