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ProPhase Labs Completes Acquisition of CLIA Accredited Lab and Provides Corporate Update

DOYLESTOWN, Pennsylvania, Nov. 02, 2020 (GLOBE NEWSWIRE) -- ProPhase Labs, Inc. (NASDAQ: PRPH), a diversified medical science and technology company, announced today that it has completed the acquisition of Confucius Plaza Medical Laboratory Corp. ("Confucius Labs"), a Clinical Laboratory Improvement Amendments (CLIA) accredited laboratory headquartered in Old Bridge, New Jersey.

The approximately 4,000 square feet lab will provide a wide range of testing for diagnosis, screening and evaluation of diseases, including COVID-19 and Respiratory Pathogen Panel (RPP) Molecular tests. The lab is owned by the Company's new subsidiary, ProPhase Diagnostics, Inc., which was formed to aggregate medical testing business opportunities and expand the lab's capabilities and capacity.

ProPhase Diagnostics, as a consequence of its acquisition of Confucius Labs, is validated for COVID-19 testing for both swabs and saliva. Additionally, the Company is taking steps to validate ProPhase Diagnostics for the widely used Spectrum Solutions saliva collection COVID-19 test kit.

Ted Karkus, CEO of ProPhase Labs stated: "Confucius Labs is an ideal entry opportunity for ProPhase into the medical testing business. We are working to significantly ramp up the lab's capacity. To accomplish this, we intend to install additional state of the art equipment, which has been identified and largely ordered."

When asked what attracted ProPhase Labs to this segment of the laboratory testing industry, Mr. Karkus commented that "industry publications report that the global COVID-19 detection kits and consumables market is expected to reach \$5.2 billion by the end of 2020 and reach \$6.1 billion by 2021 at a compound annual growth rate (CAGR) of 17.3%. Medicare currently pays approximately \$100 for each high-throughput COVID-19 test. The Centers for Medicare and Medicaid Services recently announced that starting in January 2021, Medicare will only pay \$75 for tests that take longer than two days to process." Mr. Karkus added, "ProPhase Labs has long been focused on respiratory health. If we can help increase diagnostic testing, which is crucial to controlling the spread of COVID-19, it will benefit the country in terms of both health and wealth."

Mr. Karkus added that "Quest Labs, a large nationwide provider, has reported that they have made about \$42 per test, and that their average cost was \$29 per test. Even with the extra intricacies of testing for Coronavirus, Quest estimated that their Coronavirus test margins would be one-third higher than from regular activities."

"Our goal is to meet or, if possible, exceed those industry norms, and to grow testing

capacity and volumes,” said Mr. Karkus. Mr. Karkus added, “If ProPhase Labs is able to generate a net margin of just \$30 per COVID-19 test, for each 1,000 tests processed per day, our lab could generate approximately \$30,000 in net operating income. If these levels can be attained and sustained, just on the basis of processing 1,000 units a day, we would project approximately \$7.5 million in annualized pre-tax operating income. However, we expect our lab to have capacity to process many more test kits than just 1,000 per day. Our current goal is to have the capability to process as many as 7,000 – 8,000 tests per day in the first quarter of 2021 and to have a run rate of approximately 4,000 units processed per day, on average, by the end of the first quarter.”

ProPhase Labs will also seek to increase utilization of the new lab through its ability to process tests for a variety of influenza, respiratory viruses, pneumonia-causing bacteria and other infectious diseases. “As demand for our diagnostics services increase, we plan to further expand our lab capacity,” said Mr. Karkus. Mr. Karkus cautioned that the success of the Company’s new diagnostic testing labs business will depend on both the Company attracting sufficient customers who will choose to use the Company’s lab to process their test kits, and the Company’s ability to operate this new business line.

In our core legacy businesses, our flagship dietary supplement product, Legendz XL, continues to perform well at Walgreens and Rite-Aid retail stores. Given its performance, Walmart, CVS and other FDM (Food, Drug and Mass) retailers are now carrying Legendz XL as of the fourth quarter of this year. “We have achieved a critical mass of nationwide distribution and will therefore be increasing media advertising on television and radio going forward. Our full-service contract manufacturer, Pharmaloz Manufacturing, also continues to experience strong demand year over year. We look forward to continued operational execution and success on that front,” said Mr. Karkus.

Mr. Karkus concluded: “With our fortified balance sheet and cash reserves, we have sufficient working capital to satisfy any near-term needs for our current business. As always, I am wholly dedicated to continuing to create sustainable value for our shareholders over the long-term. We continue to aggressively explore strategic investments as well as additional acquisition opportunities.”

About ProPhase Labs

ProPhase Labs (NASDAQ: PRPH) is a manufacturing and marketing company with deep experience with OTC consumer healthcare products and dietary supplements. The Company is engaged in the research, development, manufacture, distribution, marketing and sale of OTC consumer healthcare products and dietary supplements in the United States. This includes the development and marketing of dietary supplements under the TK Supplements® brand. The Company is also developing ProPhase Diagnostics, Inc. to offer COVID-19 and other Respiratory Pathogen Panel (RPP) testing services. For more information visit us at 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 the range of testing services to be offered by our lab, our ability to ramp up testing capacity, test processing capabilities, the market for global

COVID-19 detection kits and consumables, projected net operating profits and pre-tax operating income, demand for our testing services, plans to increase media advertising for Legendz XL, and our ability to satisfy near-term working capital needs. 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 the scale, scope and duration of the COVID-19 pandemic, consumer demand for our lab processing services, the competitive environment, challenges relating to entering into new business lines, the failure to obtain certain regulatory approvals, our ability to ramp up our lab's testing capacity and execute on our business plan, our ability to obtain necessary equipment and raw materials, and the risk factors listed from time to time in our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and any subsequent SEC filings.

Investor Relations

Chris Tyson
Executive Vice President
MZ Group – MZ North America
(949) 491-8235
PRPH@mzgroup.us
www.mzgroup.us



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