

August 4, 2020



# KORU Medical Systems Announces 2020 Second Quarter Financial Results

**Record Net Sales of \$7.7 Million, Gross Margin of 64%**

CHESTER, N.Y.--(BUSINESS WIRE)-- **Repro Med Systems, Inc. dba KORU Medical Systems (NASDAQ: KRMD)** (“KORU Medical” or the “Company”) today announced financial results for the second quarter ended June 30, 2020 (“Q2 2020”).

“We reported a strong Q2 2020, highlighted by a quarterly net sales record of \$7.7 million,” said Don Pettigrew, President and CEO. “During the second quarter, we completed a successful public offering, settled our outstanding litigation with our competitor, were added to the broad market Russell 3000<sup>®</sup> Index, the Russell 2000<sup>®</sup> Index, and Russell Microcap<sup>®</sup> Index, and continued to execute against our long-term growth objectives, including success with our strategy to broaden our pharmaceutical industry relationships and pursue clinical trial opportunities. I am extremely proud of the entire KORU Medical team for navigating us through the COVID-19 pandemic and embracing their designation as essential workers supporting the thousands of chronically ill patients who rely on our products.

“We believe that the awareness and diagnosis of Primary Immunodeficiency Diseases and Chronic Inflammatory Demyelinating Polyneuropathy - our primary end markets - is continuing to increase. We believe that COVID-19-related health concerns are driving the ongoing shift from hospital and clinic-based IVIg treatments to home-based subcutaneous Ig therapy, and that the acceleration of this trend is supporting the adoption of KORU Medical’s mechanical, easy-to-use Freedom Integrated Infusion System which allows patients with immune diseases and other chronic conditions to self-administer their Ig drug therapy at home. The growing preference for at-home treatment is also, in our view, encouraging pharmaceutical companies to continue to develop subcutaneous Ig therapies and new drugs that can be administered at home.”

## **Q2 2020 Overview**

Net sales increased 44.1% to \$7.7 million in Q2 2020 from \$5.3 million in last year’s second quarter, with growth in all product categories (pumps, needle sets, and tubing). We believe this growth was primarily driven by continued demand increases that included clinical trials, as well as increased purchasing to support the trend towards at-home infusion therapy and in response to the uncertainties created by COVID-19.

Gross profit in Q2 2020 rose 41.3% to \$4.9 million from \$3.5 million in Q2 2019, primarily due to increased sales volume. Gross margin was 63.7% in Q2 2020 as compared to 65.0% in Q2 2019, mostly due to an increase in overtime costs related to COVID-19 absenteeism. Gross margin was 65.4% when adjusted for overtime.

Selling, general & administrative expenses were \$3.2 million, or 41.5% of net sales, compared to \$2.1 million, or 38.3% of net sales in Q2 2019. The increase was due primarily to the impact of new hires in the second half of last year, severance, a bonus for employee service during the COVID-19 pandemic, increased consulting, distributor fees and other miscellaneous administrative costs, partially offset by lower trade show and travel expenses due to COVID-19 related travel restrictions.

Higher litigation costs in Q2 2020 consisted of a \$2.2 million non-cash, stock-based expense associated with the negotiation of and entry into a litigation settlement agreement with a competitor in May 2020. The Company expects expenses related to the competitor litigation will discontinue because of the settlement. Litigation expenses in Q2 2019 were \$1.1 million, attributable to the competitor litigation.

Net loss for Q2 2020 was \$(1.1) million, or \$(0.03) per share, and included the one-time, non-cash litigation settlement expense of \$2.2 million. Net income in Q2 2019 was \$0.1 million, or \$0.00 per share.

Q2 2020 Adjusted EBITDA rose 18.1% to \$1.8 million from Adjusted EBITDA of \$1.5 million in Q2 2019. Adjusted EBITDA excludes from net income: tax expense, depreciation and amortization, interest income, net, discontinued product expense, litigation costs that consisted of a \$2.2 million non-cash, stock-based settlement expense, manufacturing initiative expenses, and stock option expense.

### **Balance Sheet, Liquidity Initiatives and Credit**

Cash and equivalents as of June 30, 2020 totaled \$38.1 million, a \$32.2 million increase from December 31, 2019. Substantially all of the increase was due to the \$26.5 million of net proceeds from the recent capital raise and a \$3.5 million draw against the Company's line of credit.

"This fresh capital allows us to fund our growth initiatives, including commercial expansion, increased clinical trial participation, gross margin enhancement, and new product innovation," concluded Mr. Pettigrew.

### **Non-GAAP Measures**

This press release includes the non-GAAP financial measure of "Adjusted EBITDA" that is not in accordance with, nor an alternate to, generally accepted accounting principles and may be different from non-GAAP measures used by other companies. In addition, this non-GAAP measure is not based on any comprehensive set of accounting rules or principles. Non-GAAP financial measures should not be considered a substitute for, or superior to, measures of financial performance prepared in accordance with GAAP. They are limited in value because they exclude charges that have a material effect on our reported results and, therefore, should not be relied upon as the sole financial measures to evaluate our financial results. The non-GAAP financial measure is meant to supplement, and to be viewed in conjunction with, GAAP financial results. A reconciliation of our non-GAAP measure is included in an attachment to this press release.

### **Conference Call**

Management will host a conference call on Wednesday, August 5, 2020 at 9:00 am ET to discuss the results and business activities. Interested parties may participate in the call by dialing:

- (877) 407-9753 (*Domestic*) or
- (201) 493-6739 (*International*)

**Webcast registration:** [Click Here](#)

Following the live call, a replay will be available for six months on the Company's website, [www.korumedical.com](http://www.korumedical.com) under "Investor Relations."

### **About KORU Medical Systems**

KORU Medical Systems develops, manufactures, and commercializes innovative and easy-to-use specialty infusion solutions that improve quality of life for patients around the world. The FREEDOM Syringe Infusion System currently includes the FREEDOM60<sup>®</sup> and FreedomEdge<sup>®</sup> Syringe Infusion Drivers, Precision Flow Rate Tubing<sup>™</sup> and HIgH-Flo Subcutaneous Safety Needle Sets<sup>™</sup>. These devices are used for infusions administered in the home and alternate care settings. For more information, please visit [www.korumedical.com](http://www.korumedical.com).

### **Forward-looking Statements**

This press release contains forward-looking statements that involve risks and uncertainties. Forward-looking statements can be identified by words such as “will,” “should,” “believe” and “in our view.” Actual results may differ materially from the results predicted and reported results should not be considered as an indication of future performance. The potential risks and uncertainties that could cause actual results to differ from the results predicted include, among others, those risks and uncertainties included under the captions “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2019, as amended, and our most recent Quarterly Report on Form 10-Q for the quarter ended March 30, 2020, which are on file with the SEC and are available on our website at [www.korumedical.com/investors](http://www.korumedical.com/investors) and on the SEC website at [www.sec.gov](http://www.sec.gov). In addition, there are risks and uncertainties with respect to the impact of COVID-19 on our supply chain, operations, and financial condition. All information provided in this release and in the attachments is as of August 4, 2020. Undue reliance should not be placed on the forward-looking statements in this press release, which are based on information available to us on the date hereof. We undertake no duty to update this information unless required by law.

**REPRO MED SYSTEMS, INC.**  
**BALANCE SHEETS**

|  | June 30,<br>2020<br>(Unaudited) | December 31,<br>2019 |
|--|---------------------------------|----------------------|
| <b>ASSETS</b>  |                                 |                      |
| <b>CURRENT ASSETS</b>  |                                 |                      |
| Cash and cash equivalents  | \$38,129,349                    | \$ 5,870,929         |
| Accounts receivable less allowance for doubtful accounts of \$32,645 at June 30, 2020 and December 31, 2019  | 2,965,902                       | 3,234,521            |
| Inventory  | 3,667,288                       | 2,388,477            |
| Prepaid expenses   | 543,482                         | 387,396              |
| <b>TOTAL CURRENT ASSETS</b>  | <b>45,306,021</b>               | <b>11,881,323</b>    |
| Property and equipment, net  | 818,064                         | 611,846              |
| Patents, net of accumulated amortization of \$319,120 and \$288,967 at June 30, 2020 and December 31, 2019, respectively   | 926,504                         | 807,135              |
| Right of use assets, net   | 306,101                         | 373,734              |
| Deferred tax asset   | 334,011                         | 188,241              |
| Other assets   | 19,812                          | 19,582               |
| <b>TOTAL ASSETS</b>  | <b>\$47,710,513</b>             | <b>\$ 13,881,861</b> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                                 |                      |
| <b>CURRENT LIABILITIES</b>   |                                 |                      |
| Line of credit payable   | \$ 3,500,000                    | \$ —                 |
| Accounts payable   | 920,006                         | 572,656              |
| Accrued expenses   | 2,686,200                       | 1,296,612            |
| Accrued payroll and related taxes  | 523,537                         | 190,265              |
| Accrued tax liability  | 523,190                         | 204,572              |
| Finance lease liability - current  | 3,195                           | 5,296                |
| Operating lease liability - current  | 139,618                         | 136,888              |
| <b>TOTAL CURRENT LIABILITIES</b>   | <b>8,295,746</b>                | <b>2,406,289</b>     |
| Finance lease liability, net of current portion  | 1,030                           | 2,646                |
| Operating lease liability, net of current portion  | 166,483                         | 236,846              |
| <b>TOTAL LIABILITIES</b>   | <b>8,463,259</b>                | <b>2,645,781</b>     |
| <b>STOCKHOLDERS' EQUITY</b>  |                                 |                      |
| Common stock, \$0.01 par value; 75,000,000 shares authorized, 46,640,120 and 42,239,788 shares issued, 43,902,889 and 39,502,557 shares outstanding at June 30, 2020 and December 31, 2019, respectively | 466,401                         | 422,398              |
| Additional paid-in capital   | 34,886,850                      | 6,293,069            |
| Retained earnings  | 4,238,207                       | 4,864,817            |
|  | 39,591,458                      | 11,580,284           |
| Less: Treasury stock, 2,737,231 shares at June 30, 2020 and December 31, 2019, respectively, at cost   | (344,204)                       | (344,204)            |
| <b>TOTAL STOCKHOLDERS' EQUITY</b>  | <b>39,247,254</b>               | <b>11,236,080</b>    |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>  | <b>\$47,710,513</b>             | <b>\$ 13,881,861</b> |

**REPRO MED SYSTEMS, INC.**  
**STATEMENTS OF OPERATIONS (UNAUDITED)**

|   | For the<br>Three Months Ended<br>June 30, |              | For the<br>Six Months Ended<br>June 30, |               |
|---|---|--------------|---|---------------|
|   | 2020                                      | 2019         | 2020                                    | 2019          |
| NET SALES   | \$ 7,708,904                              | \$ 5,348,812 | \$ 14,038,913                           | \$ 10,323,090 |
| Cost of goods sold  | 2,799,024                                 | 1,873,148    | 5,340,823                               | 3,799,472     |
| Gross Profit  | 4,909,880                                 | 3,475,664    | 8,698,090                               | 6,523,618     |
| <b>OPERATING EXPENSES</b>                                       |   |              |   |               |
| Selling, general and administrative                             | 3,201,831                                 | 2,050,435    | 5,964,811                               | 4,535,303     |
| Litigation  | 2,346,914                                 | 1,124,947    | 2,446,072                               | 1,617,462     |
| Research and development  | 298,196                                   | 178,235      | 554,221                                 | 280,194       |
| Depreciation and amortization                                   | 94,940                                    | 86,169       | 182,164                                 | 169,820       |
| Total Operating Expenses  | 5,941,881                                 | 3,439,786    | 9,147,268                               | 6,602,779     |
| Net Operating (Loss)/Profit                                     | (1,032,001)                               | 35,878       | (449,178)                               | (79,161)      |
| <b>Non-Operating (Expense)/Income</b>                           |   |              |   |               |
| Loss on currency exchange                                       | (2,594)                                   | (1,235)      | (13,091)                                | (10,925)      |
| (Loss)/Gain on disposal of fixed asset, net                     | (5,522)                                   | 49,980       | (5,522)                                 | 49,740        |
| Interest, net and other income, net                             | (5,002)                                   | 18,243       | 14,028                                  | 35,723        |
| TOTAL OTHER (EXPENSE)/INCOME                                    | (13,118)                                  | 66,988       | (4,585)                                 | 74,538        |
| (LOSS)/INCOME BEFORE TAXES                                      | (1,045,119)                               | 102,866      | (453,763)                               | (4,623)       |
| Income Tax Expense  | (30,919)                                  | (24,683)     | (172,847)                               | (2,584)       |
| NET (LOSS)/INCOME   | \$ (1,076,038)                            | \$ 78,183    | \$ (626,610)                            | \$ (7,207)    |
| <b>NET (LOSS)/INCOME PER SHARE</b>                              |   |              |   |               |
| Basic   | \$ (0.03)                                 | \$ 0.00      | \$ (0.02)                               | \$ 0.00       |
| Diluted   | \$ (0.03)                                 | \$ 0.00      | \$ (0.02)                               | \$ 0.00       |
| <b>WEIGHTED AVERAGE NUMBER<br/>OF COMMON SHARES OUTSTANDING</b> |   |              |   |               |
| Basic   | 40,361,924                                | 38,353,000   | 40,018,559                              | 38,279,718    |
| Diluted   | 40,524,754                                | 39,299,800   | 40,201,134                              | 39,219,752    |

**REPRO MED SYSTEMS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

**For the Six Months  
Ended  
June 30,**

|   | <b>2020</b>          | <b>2019</b>         |
|---|----------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                      |                     |
| Net Loss  | \$ (626,610)         | \$ (7,207)          |
| Adjustments to reconcile net loss to net cash provided by/(used in) operating activities: |                      |                     |
| Stock based compensation expense  | 784,821              | 529,538             |
| Stock based litigation settlement expense   | 1,285,102            | —                   |
| Depreciation and amortization   | 182,164              | 169,820             |
| Deferred capital gain - building lease  | —                    | (3,763)             |
| Deferred taxes  | (145,770)            | 66,494              |
| Loss/(Gain) on disposal of fixed asset  | 5,522                | (49,740)            |
| Changes in operating assets and liabilities:  |                      |                     |
| Decrease/(Increase) in accounts receivable  | 268,619              | (1,867,342)         |
| Increase in inventory   | (1,278,811)          | (467,706)           |
| (Increase)/Decrease in prepaid expense and other assets                                   | (156,316)            | 44,874              |
| Increase in accounts payable  | 347,350              | 76,882              |
| Increase/(Decrease) in accrued payroll and related taxes                                  | 333,272              | (249,730)           |
| Increase in accrued expense   | 1,389,588            | 346,181             |
| Increase/(Decrease) in accrued tax liability  | 318,618              | (72,210)            |
| <b>NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES</b>                                | <b>2,707,549</b>     | <b>(1,483,909)</b>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                      |                     |
| Payments for capital expenditures   | (363,750)            | (67,079)            |
| Payments for patents  | (149,523)            | (136,182)           |
| Proceeds on disposal of fixed asset   | —                    | 217,821             |
| Proceeds from certificate of deposit  | —                    | 1,517,927           |
| <b>NET CASH (USED IN)/PROVIDED BY INVESTING ACTIVITIES</b>                                | <b>(513,273)</b>     | <b>1,532,487</b>    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                      |                     |
| Line of credit advance  | 3,500,000            | —                   |
| Issuance of equity  | 26,567,861           | 24,700              |
| Payment for cancelled shares  | —                    | (2,820)             |
| Finance lease   | (3,717)              | (2,069)             |
| <b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>  | <b>30,064,144</b>    | <b>19,811</b>       |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>  | <b>32,258,420</b>    | <b>68,389</b>       |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>                                     | <b>5,870,929</b>     | <b>3,738,803</b>    |
| <b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>   | <b>\$ 38,129,349</b> | <b>\$ 3,807,192</b> |
| <b>Supplemental Information</b>   |                      |                     |
| <b>Cash paid during the periods for:</b>  |                      |                     |
| Interest  | \$ 13,554            | \$ 233              |
| Taxes   | \$ —                 | \$ —                |
| <b>NON-CASH FINANCING AND INVESTING ACTIVITIES</b>  |                      |                     |
| Issuance of common stock as compensation  | <b>\$ 120,004</b>    | <b>\$ 212,898</b>   |

| Reconciliation of GAAP Net<br>(Loss)/Income<br>to Non-GAAP Adjusted EBITDA: | Three Months Ended<br>June 30, |                     | Six Months Ended<br>June 30, |                     |
|---|--------------------------------|---------------------|------------------------------|---------------------|
|   | 2020                           | 2019                | 2020                         | 2019                |
| GAAP Net (Loss)/Income  | \$(1,076,038)                  | \$ 78,183           | \$(626,610)                  | \$(7,207)           |
| Tax Expense   | 30,919                         | 24,683              | 172,847                      | 2,584               |
| Depreciation/Amortization   | 94,940                         | 86,169              | 182,164                      | 169,820             |
| Interest Expense/(Income), Net  | 5,002                          | (18,243)            | (14,028)                     | (35,723)            |
| Reorganization Charges  | —                              | —                   | —                            | 354,926             |
| Discontinued Product Expenses   | (31,581)                       | —                   | 77,977                       | —                   |
| Litigation*   | 2,346,914                      | 1,124,947           | 2,446,072                    | 1,617,462           |
| Manufacturing Initiative Expenses   | 25,957                         | —                   | 135,759                      | —                   |
| Stock Option Expense  | 363,851                        | 194,765             | 664,817                      | 316,640             |
| Non-GAAP Adjusted EBITDA  | <u>\$ 1,759,964</u>            | <u>\$ 1,490,504</u> | <u>\$ 3,038,998</u>          | <u>\$ 2,418,502</u> |

\*For the three and six months ended June 30, 2020, litigation costs consisted of a \$2.2 million non-cash, stock-based settlement expense.

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