



KORU Medical Systems

Q2 2022 Earnings Call
August 3, 2022

Forward-Looking Statements

This presentation contains "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995 regarding our expectations for future performance, including but not limited to our future revenue, gross margin, operating expenses, and cash flow. Forward-looking statements are neither historical facts nor assurances of future performance and are based only on our current beliefs, expectations and assumptions. Forward-looking statements are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Our actual results and financial condition may differ materially from those indicated in the forward-looking statements. Therefore, you should not rely on any of these forward-looking statements.

Important factors that could cause our actual results and financial condition to differ materially from those indicated in the forward-looking statements include, among others, the following: impact of COVID-19 related to new SCIg patient starts, plasma supply, clinical trial activity, supply chain and labor availability; inflationary impacts; effects of war and other global conflict; introduction of competitive products; availability of insurance reimbursement; changes in U.S. Food and Drug Administration regulations; changes to health care policies; success of our research and development efforts; our ability to raise capital if or when needed; acceptance of and demand for new and existing products; expanded market acceptance of the FREEDOM Syringe Infusion System and any new product we introduce; our ability to obtain required governmental approvals; success in enforcing and obtaining patents; continued performance by principal suppliers; continued customer preference to work through distributors; continued service of key personnel and attracting and maintaining new personnel; and general economic and business conditions, as well as those risks and uncertainties included under the captions "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2021 and our Quarterly Report on Form 10-Q for the quarter ended June 30, 2022, which are available on the SEC website at www.sec.gov [sec.gov] and on our website at www.korumedical.com/investors [korumedical.com]. Any forward-looking statement made by us is based only on information currently available to us and speaks only as of the date on which it is made. We undertake no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.

Sales: All references to sale(s) within the presentation refer to net sale(s).



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Q2 2022 Highlights

Linda Tharby

President and Chief Executive Officer

KORU Medical Well Positioned to Create Long-Term Value as a Drug Delivery Player

- **Manufacture and sell innovative, easy-to-use Freedom mechanical infusion systems**
- **Leading share position** in growing large volume **SCIg drug therapy** market for patients suffering from Primary Immunodeficiency (**PIDD**) and Chronic Inflammatory Demyelinating Polyneuropathy (**CIDP**) – **\$300M⁽¹⁾ U.S. market potential** with existing approved drugs
- Attractive economics: **high product loyalty with low churn** and **recurring revenue model**
- Capitalizing on accelerating **shift** from institutional care to **lower-cost home** and **alternative site settings**
- Expanding leadership position into **new drug therapies** - **\$1B market opportunity**

<p>Market Leading Home infusion platform</p> <p>25k+</p> <p><i>Patients on Freedom Platform</i></p>	<p>Growing SCIg market</p> <p><20%</p> <p><i>SC penetration \$300M⁽¹⁾ potential</i></p>
<p>Doubled label Indications Since 2021</p> <p>12</p> <p><i>Commercialized drugs/indications on KORU Medical pumps</i></p>	<p>Expanding to New Drug Therapies</p> <p>\$1.0B⁽¹⁾</p> <p><i>Total addressable market</i></p>



1. Industry research & KORU Medical estimates

Q2 2022 Highlights



Q2 2022 marked **third consecutive quarter of double-digit year over year growth**



Continued **progress within our novel therapies pipeline** and new deal advancements



Core **domestic growth continued to outpace** the overall U.S. SCIg market



Q2 gross margins affected by **first half 2022 supply chain disruptions and labor shortages**



Continued to solidify our foundation with new corporate headquarters, outsourced manufacturing, and strengthened executive team



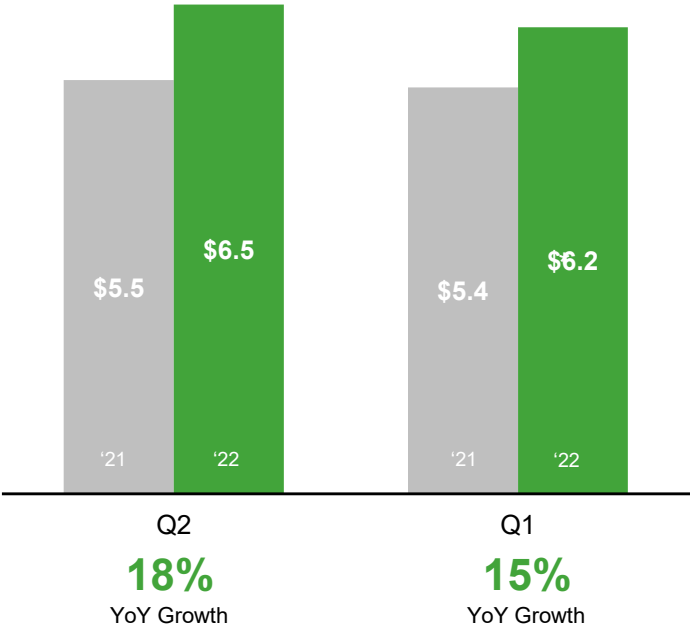
Raised revenue guidance to \$27.0 to \$27.5M

Strong Q2 Sales Momentum

\$6.5M*

Q2 2022 net sales

YoY Quarterly Net Sales;
in Millions



- **18%** year-on-year sales growth
 - Three consecutive quarters of double-digit growth
- Strength across all three businesses
 - Novel therapies 747% growth driven by pipeline expansion
 - Domestic core market growth of 8.7% outpacing a rebounding U.S. SCIg market
 - International business growth of 10.7% driven by key tender wins multiple European markets

* Does not include \$0.3M backorders in Q2 arising from supply chain issues

Executing on our Strategic Milestones

Increase Core SCIg Penetration
\$300M₍₁₎ U.S. TAM

New SCIg Patient Starts

- U.S. SCIg market growth 6.9%₍₂₎ QTD
- KORU Medical domestic core growth 8.7%₍₃₎ Q2 2022
- YTD Freedom pumps +21% growth

Win SCIg Prefills

- Prefill market growth of 437%₍₂₎ QTD, 10%₍₂₎ penetration
- FreedomEdge® only 510(k) clearance with prefills

Geographic Expansion

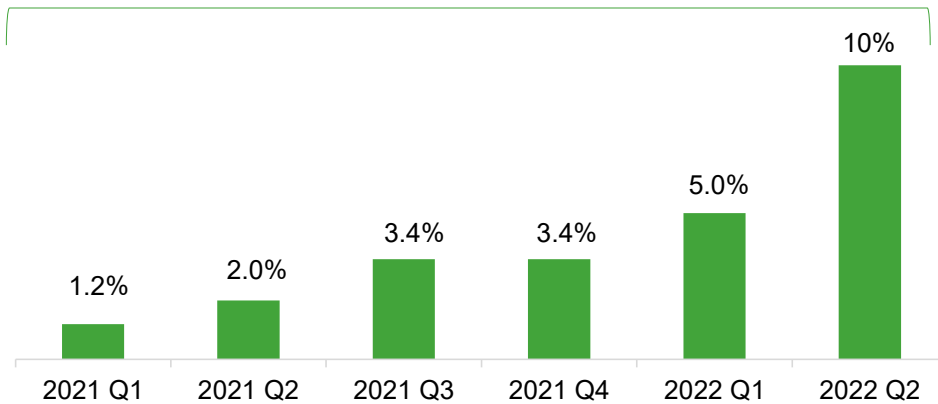
- 10.7% international growth
- Strength in several EU markets – driven by label expansion and tender wins
- Hired new international sales leader

Prefilled Syringes Growth Creates Short- and Long-Term Upside Potential

Prefilled syringes are rapidly gaining market penetration

KORU Medical upside share and market expansion opportunity

Prefilled Penetration % of SCIg grams⁽¹⁾



- As the only FDA cleared platform FreedomEdge® for use with prefilled syringes, a prefill patient is a KORU Medical patient
- Easier infusions via prefills drive market expansion. KORU Medical benefits as share leader
- Focused KORU Medical innovation effort on prefills

Continued Momentum in Novel Therapies

Extend to Novel Therapies \$1B₍₁₎ U.S. TAM

Focus on large volume >10ml

- Q2 Novel Therapies Sales Growth of 747% reflects momentum from 2021 deals
 - Sales for Novel Therapies includes finished product sale for use in clinical trial, and/or developmental services sales in the form of non-recurring engineering (NRE) fees
- Two new closed deals in Q2:
 - 1 new phase III Ig deal
 - 1 new phase II new drug deal in nephrology
 - Expanded scope of previously announced innovation agreement
- Nine total closed agreements across 6 drug categories
 - 10-15 opportunities in pipeline

Q2 2022	2		<ul style="list-style-type: none"> Nephrology Immunology 	
New Closed in Q2 2022				
	Development Stage	Ig	New Drugs	Total
Closed	Phase III	1	0	1
	Phase II	0	1	1
Total Closed		1	1	2

Closed Agreements	9		<ul style="list-style-type: none"> Respiratory Oncology Immunology Hematology Neurology Nephrology 	
New Closed Since 2021				
	Development Stage	Ig	New Drugs	Total
Closed	Phase III	3	1	4
	Earlier	1	4	5
Total Closed		4	5	9



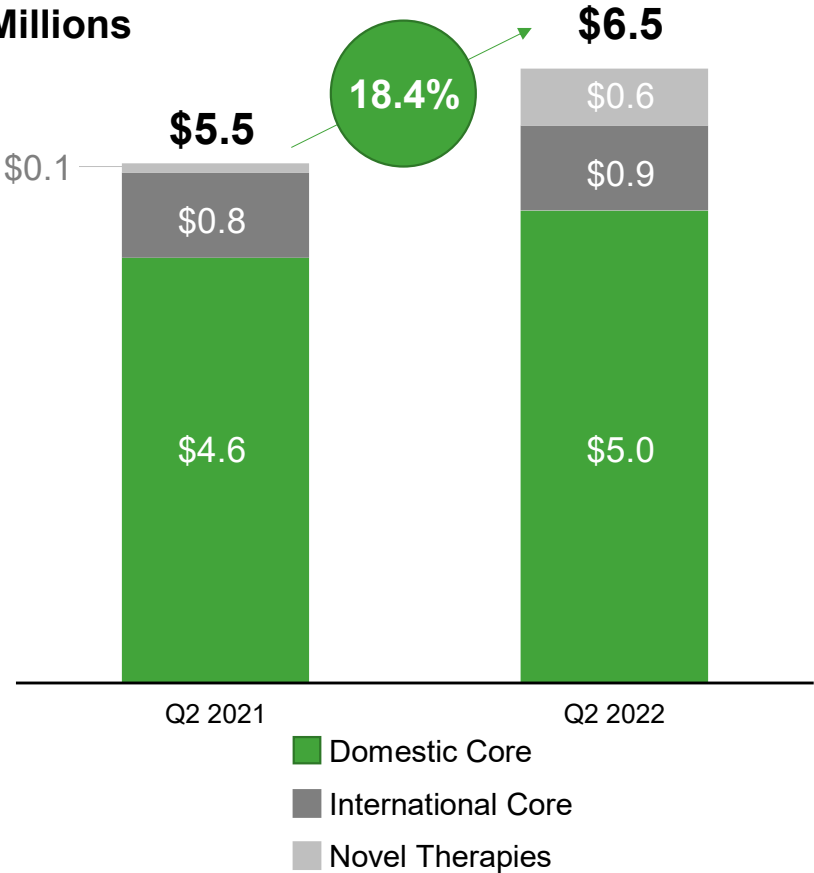
Financial Review

Tom Adams

Interim Chief Financial Officer

Q2 2022 Sales

Net Sales;
In Millions



Novel Therapies

- Increased 746.6% year on year
- Driven by NRE development milestone and pipeline expansion

Domestic Core

- Increased 8.7% year on year
- Rebounding SCIg market – growing 6.9%⁽¹⁾ through Q2 2022
- Reported growth excludes \$0.3M backorders arising from supply chain issues

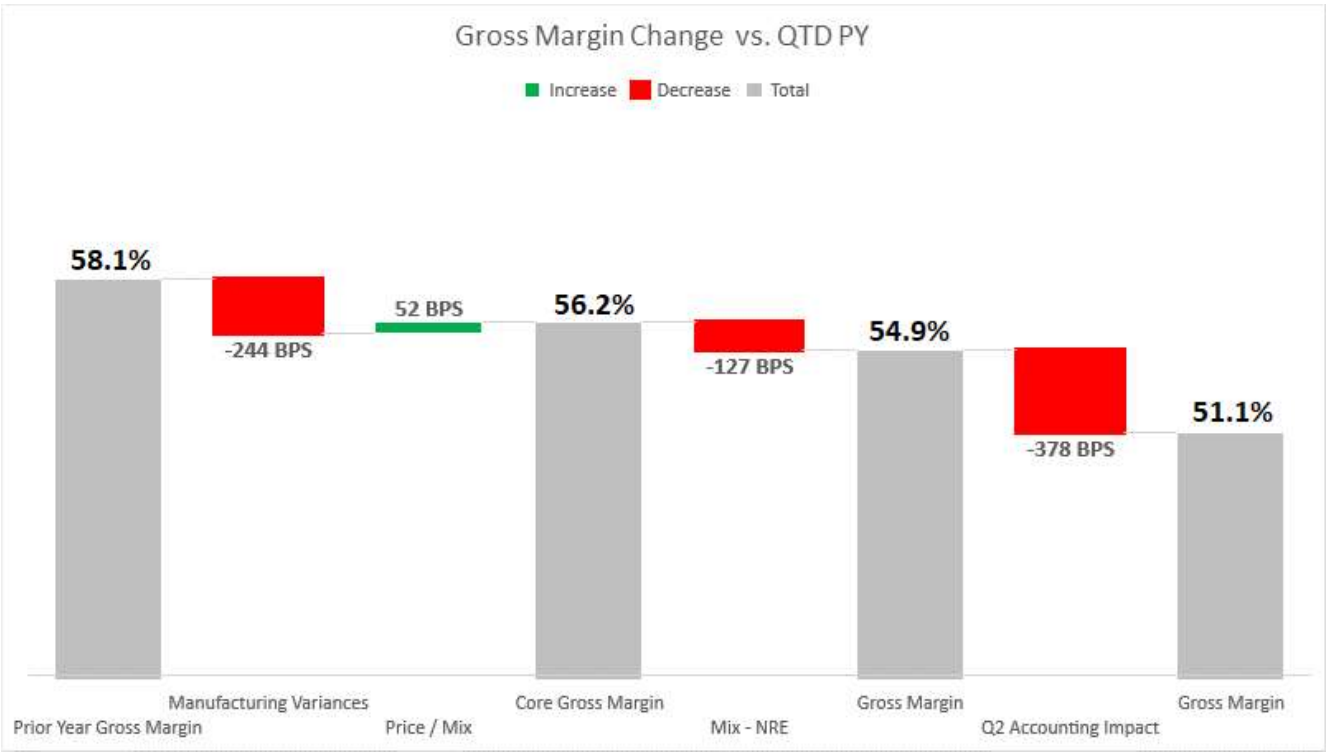
International Core

- Increased 10.7% year on year
- Due to growth in several European countries driven by key tender wins

1. IQVIA Market Data

Q2 2022 Gross Margin

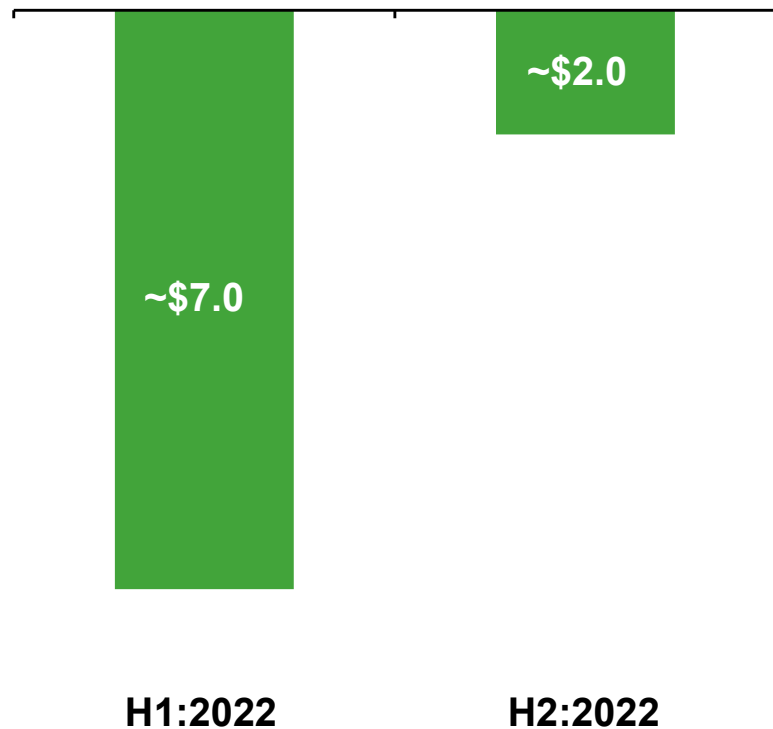
Change vs. Q2 2021



- 56.2% Core Product Gross Margin - driven by supply shortages from Q1 and favorable average selling prices
- 54.9% Gross Margin - inclusive of higher service revenue mix, having a dilutive impact
- 51.1% Reported Gross Margin - post accounting impact of manufacturing variances accelerated and amortized in Q2 for supply issues and labor shortages contributing to lower finished goods inventory

2022 Forecasted Usage of Cash

In Millions



Ending cash balance of ~\$16.0M

First Half 2022

- (-) Net Loss
Lower gross margins due to higher production variances and NRE revenue
- (-) HQ relocation to Mahwah, NJ ~\$2.0M
- (-) Higher raw material and work in process (WIP) inventory

Second Half 2022

- (+) Net Loss – lower net loss expected than 1H
Higher gross margins due to improved operating efficiencies
- (+) Decreased Working Capital
Lower raw material & WIP inventory levels
- (+) Employee Retention Credit (ERC), equipment financing & leasehold improvement reimbursements ~\$1.5M



Guidance and Closing Comments

Linda Tharby

President and Chief Executive Officer

2022 Guidance

Sales Growth

Raising range to **\$27.0 to \$27.5** million net sales in 2022

Key Drivers

- Expanded Novel Therapies pipeline
- Increased core SCIg market growth

Gross Margin Profile

Updating to **55-60%** exit rate for 2022

Key Drivers

- Q2 2022 supply chain disruptions resulted in unfavorable manufacturing variances in 1H22
- Outsourcing initiative delayed to Q1 2023
- Expect steady margin improvement for remainder of 2022

Operating Expenses & Cash Flow

Reiterating OpEx range of **\$27 to \$28** million in 2022: ending the year with cash balance of **~\$16.0** million

Key Drivers

- Expect OpEx to stabilize at \$7M per quarter
- Lower Working Capital in 2H
- ERC, Financing & Tenant Improvement Credits

Q2 2022 Highlights



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Continued **progress within our novel therapies pipeline** and new deal advancements



Core **domestic growth continued to outpace** the overall U.S. SCIg market



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Continued to solidify our foundation with new corporate headquarters, outsourced manufacturing, and strengthened executive team



Raised revenue guidance to \$27.0 to \$27.5M



Appendix

GAAP Reconciliation

Reconciliation of GAAP Net (Loss) to Non-GAAP Adjusted EBITDA:	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
GAAP Net Loss	\$ (2,921,341)	(1,124,549)	\$ (5,458,855)	\$ (2,400,687)
Tax (Benefit)/Expense	(710,260)	(245,316)	(1,307,859)	(1,187,677)
Depreciation and Amortization	125,882	118,415	235,134	233,888
Interest (Income)/Expense, Net	(3,566)	(9,950)	(2,103)	(19,721)
Reorganization Charges	270,433	224,605	565,433	1,193,880
Discontinued Product Expense	—	—	—	—
Litigation Expenses	—	—	—	—
Manufacturing Initiative Expenses	50,344	149,718	88,349	201,441
Stock-based Compensation Expense	821,513	605,172	1,659,070	1,339,356
Non-GAAP Adjusted EBITDA	<u>\$ (2,366,995)</u>	<u>\$ (281,905)</u>	<u>\$ (4,220,831)</u>	<u>\$ (639,520)</u>

Reconciliation of Reported Diluted EPS to Non-GAAP Adjusted Diluted EPS:	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Reported Diluted Earnings Per Share	\$ (0.07)	\$ (0.03)	\$ (0.12)	\$ (0.05)
Reorganization Charges	0.01	0.01	0.01	0.03
Discontinued Product Expense	—	—	—	—
Litigation Expenses	—	—	—	—
Manufacturing Initiative Expenses	—	—	—	—
Stock-based Compensation Expense	—	—	—	0.01
Tax (Expense) Adjustment	—	—	—	(0.01)
Non-GAAP Adjusted Diluted Earnings Per Share	<u>\$ (0.06)</u>	<u>\$ (0.02)</u>	<u>\$ (0.11)</u>	<u>\$ (0.02)</u>

GAAP Reconciliation

Reorganization Charges. We have excluded the effect of reorganization charges in calculating our non-GAAP measures. In 2021 we incurred significant expenses in connection with the departure and replacement of our chief executive officer and the recruiting of two new board members, which we would not have otherwise incurred in periods presented as part of our continuing operations. In 2022 we incurred further severance expense related to the reorganization of the leadership team and the departure of our chief financial officer, which we would not have otherwise incurred in periods presented as part of continuing operations.

Manufacturing Initiative Expenses. We have excluded the effect of expenses related to creating manufacturing efficiencies, in calculating our non-GAAP measures. We incurred expenses in connection with these initiatives which we would not have otherwise incurred in periods presented as part of our continuing operations. We expect to incur related expenses for the next six to nine months.

Stock-based Compensation Expense. We have excluded the effect of stock-based compensation expense in calculating our non-GAAP measures. We record non-cash compensation expense related to grants of options for executives, employees and consultants, and grants of restricted shares to our board of directors. Depending upon the size, timing and the terms of the grants, the non-cash compensation expense may vary significantly but will recur in future periods.