

August 11, 2021



# KORU Medical Systems Announces 2021 Second Quarter Financial Results

CHESTER, N.Y.--(BUSINESS WIRE)-- **Repro Med Systems, Inc. dba KORU Medical Systems (NASDAQ: KRMD) ("KORU Medical" or the "Company")**, a leading medical technology company focused on the development, manufacturing, and commercialization of innovative and easy-to-use specialty infusion solutions that improve quality of life for patients, today reported financial results for the second quarter ended June 30, 2021.

## Second Quarter 2021 Summary:

- Solid net revenue of \$5.5 million; positive sequential quarterly growth
- Gross margin of 58.1%
- Net loss of \$1.1 million

"We are pleased with our performance and sequential revenue growth in the second quarter and look forward to continuing to build growth and momentum in the second half of 2021. We are beginning to see a rebound in growth in the subcutaneous immunoglobulin market, and we are well positioned to remain the category leader," said Linda Tharby, KORU Medical's CEO. "We are focused on executing on our strategy, driving growth in our core SCIg therapy franchise through commercial efforts to increase penetration of home subcutaneous delivery, building a pipeline of subcutaneous therapeutic candidates and introducing product and technology innovations to generate further topline growth. "

## Second Quarter 2021 Financial Results

Net sales were \$5.5 million, a decline of 28.3% compared to the second quarter of 2020, due to approximately \$2.3 million of COVID-related stocking orders and higher novel therapies sales from non-recurring clinical trials, each in the prior year. Sequential quarter net sales growth was 2%, driven by a 4% increase in domestic core business, and growth in novel therapies revenues. Both the overall domestic immunoglobulin market and our end-user sales to the specialty pharmacy channel grew mid-single digits through Q2 2021, which we believe indicates market recovery in new patient starts for SCIg therapy.

Gross margin was 58.1% for the second quarter of 2021, a decrease of 5.6 percentage points compared to the second quarter of 2020. Gross margin was negatively impacted by lower volumes, resulting in unfavorable absorption in the quarter.

Total operating expenses for the second quarter of 2021 were \$4.6 million, compared to \$5.9 million for the same period in 2020, which included \$2.3 million of litigation expenses. Excluding the impact of litigation expenses, operating expenses grew primarily due to new commercialization, research and development, and regulatory initiatives in support of our growth strategy, as well as CEO transition related costs.

Net loss for the second quarter of 2021 was \$1.1 million, or \$(0.03) per diluted share, unchanged from the same period in 2020. On a non-GAAP basis, adjusted diluted earnings per share was \$(0.02), \$0.04 lower than the same period in 2020.

Non-GAAP adjusted EBITDA for the second quarter of 2021 was \$(0.3) million, compared to \$1.8 million in the second quarter of 2020.

### **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 HlgH-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 within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. All statements that are not historical fact are forward-looking statements. Forward-looking statements can be identified by words such as "believe", "look forward," "focused on" and "indicating". 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, uncertainties associated with the shift to increased healthcare delivery in the home, new patient diagnoses, customer ordering patterns, COVID-19, innovation and competition, and those risks and uncertainties included under the captions "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2020, which is on file with the SEC and is 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). All information provided in this release and in the attachments is as of June 30, 2021. 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  
(UNAUDITED)**

	<b>June 30, 2021</b>	<b>December 31, 2020</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$26,538,478	\$ 27,315,286

Accounts receivable less allowance for doubtful accounts of \$24,469 for June 30, 2021, and December 31, 2020	2,577,400	2,572,954
Inventory	7,562,750	6,829,772
Prepaid expenses	461,553	807,780
<b>TOTAL CURRENT ASSETS</b>	<b>37,140,181</b>	<b>37,525,792</b>
Property and equipment, net	1,110,550	1,167,623
Intangible assets, net of accumulated amortization of \$232,820 and \$199,899 at June 30, 2021 and December 31, 2020, respectively	834,644	843,587
Operating lease right-of-use assets	166,483	236,846
Deferred income tax assets, net	1,327,230	125,274
Other assets	19,812	19,812
<b>TOTAL ASSETS</b>	<b>\$40,598,900</b>	<b>\$ 39,918,934</b>

## **LIABILITIES AND STOCKHOLDERS' EQUITY**

### **CURRENT LIABILITIES**

Accounts payable	\$ 1,005,653	\$ 624,920
Accrued expenses	1,771,666	2,610,413
Accrued payroll and related taxes	390,326	287,130
Finance lease liability – current	1,030	2,646
Operating lease liability – current	142,450	141,293
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,311,125</b>	<b>3,666,402</b>
Operating lease liability, net of current portion	24,033	95,553
<b>TOTAL LIABILITIES</b>	<b>3,335,158</b>	<b>3,761,955</b>

Commitments and contingencies (Refer to Note 3)

### **STOCKHOLDERS' EQUITY**

Common stock, \$0.01 par value, 75,000,000 shares authorized, 47,910,676 and 46,680,119 shares issued 44,490,174 and 43,259,617 shares outstanding at June 30, 2021, and December 31, 2020, respectively	479,106	466,801
Additional paid-in capital	39,376,131	35,880,986
Treasury stock, 3,420,502 shares at June 30, 2021 and December 31, 2020, respectively, at cost	(3,843,562)	(3,843,562)
Retained earnings	1,252,067	3,652,754
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>37,263,742</b>	<b>36,156,979</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$40,598,900</b>	<b>\$ 39,918,934</b>

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

**Three Months Ended  
June 30,**

**Six Months Ended  
June 30,**

	2021	2020	2021	2020
NET SALES	\$ 5,528,174	\$ 7,708,904	\$ 10,959,125	\$ 14,038,913
Cost of goods sold	2,317,990	2,799,024	4,517,087	5,340,823
Gross Profit	3,210,184	4,909,880	6,442,038	8,698,090
<b>OPERATING EXPENSES</b>				
Selling, general and administrative	4,085,945	3,201,831	9,078,774	5,964,811
Litigation	—	2,346,914	—	2,446,072
Research and development	386,878	298,196	723,719	554,221
Depreciation and amortization	118,415	94,940	233,888	182,164
Total Operating Expenses	4,591,238	5,941,881	10,036,381	9,147,268
Net Operating Loss	(1,381,054)	(1,032,001)	(3,594,343)	(449,178)
<b>Non-Operating Income/(Expense)</b>				
Gain/(Loss) on currency exchange	1,239	(2,594)	(14,478)	(13,091)
(Loss)/Gain on disposal of fixed assets, net	—	(5,522)	736	(5,522)
Interest income, net	9,950	(5,002)	19,721	14,028
TOTAL OTHER INCOME/(EXPENSE)	11,189	(13,118)	5,979	(4,585)
LOSS BEFORE INCOME TAXES	(1,369,865)	(1,045,119)	(3,588,364)	(453,763)
Income Tax Benefit/(Expense)	245,316	(30,919)	1,187,677	(172,847)
NET LOSS	<u>\$ (1,124,549)</u>	<u>\$ (1,076,038)</u>	<u>\$ (2,400,687)</u>	<u>\$ (626,610)</u>
<b>NET LOSS PER SHARE</b>				
Basic	<u>\$ (0.03)</u>	<u>\$ (0.03)</u>	<u>\$ (0.05)</u>	<u>\$ (0.02)</u>
Diluted	<u>\$ (0.03)</u>	<u>\$ (0.03)</u>	<u>\$ (0.05)</u>	<u>\$ (0.02)</u>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>				
Basic	<u>44,489,853</u>	<u>40,361,924</u>	<u>44,226,936</u>	<u>40,018,559</u>
Diluted	<u>44,489,853</u>	<u>40,361,924</u>	<u>44,226,936</u>	<u>40,018,559</u>

**REPRO MED SYSTEMS, INC.  
STATEMENTS OF CASH FLOWS**

(UNAUDITED)

For the  
Six Months Ended  
June 30,

2021      2020

CASH FLOWS FROM OPERATING ACTIVITIES

Net Loss \$ (2,400,687) \$ (626,610)

Adjustments to reconcile net loss to net cash (used in)/provided  
by operating activities:

Stock-based compensation expense 1,339,356 784,821

Stock-based litigation settlement expense — 1,285,102

Depreciation and amortization 233,888 182,164

Deferred income taxes (1,201,956) (145,770)

(Gain)/Loss on disposal of fixed assets (736) 5,522

Changes in operating assets and liabilities:

(Increase)/Decrease in accounts receivable (4,446) 268,619

Increase in inventory (732,978) (1,278,811)

Decrease/(Increase) in prepaid expenses and other assets 346,227 (156,316)

Increase in accounts payable 380,733 347,350

Increase in accrued payroll and related taxes 103,196 333,272

(Decrease)/Increase in accrued expenses (838,747) 1,389,588

Increase in accrued tax liability — 318,618

NET CASH (USED IN)/PROVIDED BY OPERATING  
ACTIVITIES

(2,776,150) 2,707,549

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of property and equipment (152,223) (363,750)

Proceeds from disposal of property and equipment 9,065 —

Purchases of intangible assets (23,978) (149,523)

NET CASH USED IN INVESTING ACTIVITIES (167,136) (513,273)

CASH FLOWS FROM FINANCING ACTIVITIES

Borrowings from indebtedness — 3,500,000

Proceeds from issuance of equity 1,230,000 26,567,861

Common stock issuance as settlement for litigation 938,094 —

Payments on finance lease liability (1,616) (3,717)

NET CASH PROVIDED BY FINANCING ACTIVITIES 2,166,478 30,064,144

NET (DECREASE)/INCREASE IN CASH AND CASH  
EQUIVALENTS

(776,808) 32,258,420

CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD 27,315,286 5,870,929

CASH AND CASH EQUIVALENTS, END OF PERIOD \$26,538,478 \$38,129,349

Supplemental Information

Cash paid during the periods for:

Interest	\$	47	\$	13,554
Income Taxes	\$	850	\$	—

Schedule of Non-Cash Operating, Investing and Financing Activities:

Issuance of common stock as compensation	\$	153,446	\$	120,004
Issuance of common stock as settlement for litigation	\$	938,094	\$	938,094

**REPRO MED SYSTEMS, INC.  
SUPPLEMENTAL INFORMATION  
(UNAUDITED)**

The following table summarizes our net sales for the three and six months ended June 30, 2021 and 2020:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
<b>Net Sales</b>				
Domestic	\$ 4,597,797	\$ 5,557,577	\$ 9,010,214	\$ 10,430,343
International	859,694	853,043	1,838,600	1,837,910
Novel Therapies	70,683	1,298,284	110,311	1,770,660
<b>Total</b>	<b>\$ 5,528,174</b>	<b>\$ 7,708,904</b>	<b>\$ 10,959,125</b>	<b>\$ 14,038,913</b>

**REPRO MED SYSTEMS, INC.  
SUPPLEMENTAL INFORMATION  
(UNAUDITED)**

A reconciliation of our non-GAAP measures is below:

Reconciliation of GAAP Net (Loss) to Non-GAAP Adjusted EBITDA:	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
GAAP Net Loss	\$(1,124,549)	\$(1,076,038)	\$(2,400,687)	\$(626,610)
Tax (Benefit)/Expense	(245,316)	30,919	(1,187,677)	172,847
Depreciation and Amortization	118,415	94,940	233,888	182,164
Interest Income, Net	(9,950)	5,002	(19,721)	(14,028)
Reorganization Charges	224,605	—	1,193,880	—
Discontinued Product Expense	—	(31,581)	—	77,977
Litigation Expenses	—	2,346,914	—	2,446,071
Manufacturing Initiative Expenses	149,718	25,957	201,441	135,759

Stock-based Compensation Expense	605,172	423,853	1,339,356	784,821
Non-GAAP Adjusted EBITDA	\$ (281,905)	\$ 1,819,966	\$ (639,520)	\$ 3,159,001

Reconciliation of Reported Diluted EPS to Non-GAAP Adjusted Diluted EPS:	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Reported Diluted Earnings Per Share	\$ (0.03)	\$ (0.02)	\$ (0.05)	\$ (0.01)
Reorganization Charges	0.01	—	0.03	—
Discontinued Product Expense	—	—	—	—
Litigation Expenses	—	0.06	—	0.06
Manufacturing Initiative Expenses	—	—	—	—
Stock-based Compensation Expense	—	—	0.01	—
Tax (Expense) Adjustment	—	(0.02)	(0.01)	(0.01)
Non-GAAP Adjusted Diluted Earnings Per Share	\$ (0.02)	\$ 0.02	\$ (0.02)	\$ 0.04

*Reorganization Charges.* We have excluded the effect of reorganization charges in calculating our non-GAAP measures. 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.

*Discontinued Product Expense.* We have excluded the effect of expenses related to a discontinued product line in calculating our non-GAAP measures. We did not incur any related expense in 2021.

*Litigation.* We have excluded litigation expenses in calculating our non-GAAP measures. Litigation expenses in 2020 included professional fees associated with our litigation with EMED, which discontinued as a result of the settlement on May 20, 2020.

*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 common stock to our board of directors and our CEO. 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. Adjusted EBITDA for the six months ended June 30, 2021 included stock-based compensation expense of \$0.4 million related to the departure and replacement of our chief executive officer. This expense is included in Stock-based Compensation Expense in calculating Adjusted Diluted EPS.

View source version on businesswire.com:

<https://www.businesswire.com/news/home/20210811005797/en/>

**Investor Contact:**

Greg Chodaczek

347-620-7010

[investor@korumedical.com](mailto:investor@korumedical.com)

Source: KORU Medical Systems