

August 6, 2019



# RMS Medical Products Announces 2019 Second Quarter Financial Results

Conference Call Scheduled for August 7 at 9:00 am ET

## Q2 2019 Highlights

- Net sales rose 18.8% to \$5.3 million
- Gross margin improved to 65.0%
- Further strengthened management and Board of Directors

CHESTER, N.Y.--(BUSINESS WIRE)-- **Repro Med Systems, Inc. dba RMS Medical Products (OTCQX:REPR) ("RMS Medical")** today announced financial results for the second quarter ("Q2 2019") ended June 30, 2019.

"We believe that momentum is building across our enterprise, which is reflected in improved financial performance, the scaling of our business to pursue anticipated growth opportunities, and the ongoing penetration of the PIDD and CIDP markets," said Don Pettigrew, President and CEO of RMS Medical. "As a result, net sales of \$5.3 million in the second quarter of 2019 represented the second consecutive quarter of record net sales."

"During the quarter, we expanded our team with the additions of John Toomey to the newly created position of Vice President of Growth and Innovation, Craig S. Ross as Vice President of Sales and Marketing, and healthcare industry veteran R. John Fletcher, former Chairman of the Board of Spectranetics Corporation, as a member of our Board of Directors. We also mourned the loss of long-time board member, mentor and friend Arthur J. Radin."

Mr. Pettigrew concluded, "We are continuing to position RMS Medical as the preferred drug delivery partner for specific infusion therapies in select markets. This includes developing new products and exploring new indications for our existing product portfolio, strengthening our industry relationships, and working closely with drug manufacturers as they develop and introduce new subcutaneous therapies for which RMS Medical's safe, easy-to-use, and cost-effective Freedom infusion system can become the delivery mechanism of choice."

## Q2 2019 Overview

Net sales rose 18.8% to \$5.3 million in Q2 2019 from \$4.5 million in Q2 2018, driven primarily by RMS Medical's focus on growth in the primary immunodeficiency diseases ("PIDD") market and expansion into the neurology market following the 2018 approval of Hizentra® to treat chronic inflammatory demyelinating polyneuropathy ("CIDP").

Gross profit in Q2 2019 rose to \$3.5 million, or 65.0% of net sales, from \$2.7 million, or 60.9% of net sales, in Q2 2018. Higher gross profit and gross margin were primarily driven by increased net sales and associated production efficiencies.

Total operating expenses for Q2 2019 rose to \$3.4 million from \$2.1 million in Q2 2018. The increase of \$1.3 million was due primarily to a \$1.0 million increase in legal costs associated with ongoing litigation against a competitor included in selling, general & administrative expenses. Total operating expenses for Q2 2019 also included a \$0.2 million increase in research and development expenses compared to the prior year period associated with increased headcount and expanded product development activity as we continue to invest in innovation.

Net income for Q2 2019 was \$0.1 million compared to net income of \$0.5 million in Q2 2018. The variance was due primarily to the above-referenced increase in expenses in Q2 2019.

Q2 2019 Adjusted EBITDA rose to \$1.5 million, or 27.9% of net sales, from Adjusted EBITDA of \$0.9 million, or 20.7% of net sales, in Q2 2018. Adjusted EBITDA excludes from net income: tax expense, depreciation and amortization, interest income, operating expenses associated with the company's organizational changes, litigation costs, and stock option expense. The Company ended the quarter with \$3.8 million in cash and no debt.

Our cash flow statement at June 30, 2019 reflected both: a \$1.8 million increase in accounts receivable reflecting a change in payment terms by a large distributor of our products from net 30 days to net 60 days; and a \$0.4 million increase in inventory as we prepare for anticipated growth and strengthen our ability to satisfy customer demand for

our products. These increases were partially offset by \$1.5 million in proceeds realized from the maturation of a Certificate of Deposit in Q2 2019.

### **Non-GAAP Measures**

This press release includes non-GAAP financial measures that are 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, these non-GAAP measures are 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 measures are meant to supplement, and to be viewed in conjunction with, GAAP financial results. A reconciliation of our non-GAAP measures is included in an attachment to this press release.

### **Conference Call**

Management will host a conference call on Wednesday, August 7, 2019 at 9:00 am ET to discuss Q2 2019 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.rmsmedicalproducts.com](http://www.rmsmedicalproducts.com), under "Investor Relations."

### **Forward-looking Statements**

This press release contains "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as: "focused on," "goals," "believe," and similar references to future periods. Examples of forward-looking statements include, among others, statements we make regarding our ability to achieve our goals set forth in our strategic plan and otherwise and our expectation that charges excluded from non-GAAP measures presented in this press release will not recur.

Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based only on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, projections, anticipated events and trends, the economy and other future conditions. Because forward-looking statements relate to the future, they 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: 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; 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; the costs, duration and ultimate outcome of litigation; and general economic and business conditions.

Any forward-looking statement made by us in this press release 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.

### **About RMS Medical Products**

RMS Medical 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, RMS Precision Flow Rate Tubing<sup>™</sup> and RMS 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 about RMS Medical, please visit.

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

	June 30, 2019 (Unaudited)	December 31, 2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 3,807,192	\$ 3,738,803
Certificates of deposit	—	1,517,927
Accounts receivable less allowance for doubtful accounts of \$37,299 at June 30, 2019 and \$37,500 at December 31, 2018	3,293,196	1,425,854
Inventory	2,571,585	2,103,879
Prepaid expenses	257,320	246,591
<b>TOTAL CURRENT ASSETS</b>	<b>9,929,293</b>	<b>9,033,054</b>
Property and equipment, net	615,555	858,781
Patents, net of accumulated amortization of \$260,812 and \$239,581 at June 30, 2019 and December 31, 2018, respectively	747,106	632,156
Right of use assets, net	439,782	—
Deferred tax asset	—	1,466
Other assets	19,582	19,582
<b>TOTAL ASSETS</b>	<b>\$11,751,318</b>	<b>\$10,545,039</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Deferred capital gain - current	\$ —	\$ 3,763
Accounts payable	530,380	453,498
Accrued expenses	1,034,830	688,649
Accrued payroll and related taxes	171,984	421,714
Accrued tax liability	—	16,608
Finance lease liability - current	4,295	—
Operating lease liability - current	133,417	—
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,874,906</b>	<b>1,584,232</b>
Deferred tax liability	65,029	—
Finance lease liability, net of current portion	—	—
Operating lease liability, net of current portion	306,365	—
<b>TOTAL LIABILITIES</b>	<b>2,246,300</b>	<b>1,584,232</b>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, \$0.01 par value; 75,000,000 shares authorized, 41,121,211 and 40,932,911 shares issued, 38,383,980 and 38,195,680 shares outstanding at June 30, 2019 and December 31, 2018, respectively	411,212	409,329
Additional paid-in capital	5,144,749	4,595,214
Retained earnings	4,293,261	4,300,468
	<b>9,849,222</b>	<b>9,305,011</b>

Less: Treasury stock, 2,737,231 shares at June 30, 2019 and December 31, 2018, respectively, at cost

			(344,204)	(344,204)
<b>TOTAL STOCKHOLDERS' EQUITY</b>			<u>9,505,018</u>	<u>8,960,807</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>			<u>\$11,751,318</u>	<u>\$10,545,039</u>

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2019	2018	2019	2018
<b>NET SALES</b>	\$ 5,348,812	\$ 4,502,326	\$10,323,090	\$ 8,535,550
Cost of goods sold	1,873,148	1,762,742	3,799,472	3,330,142
<b>Gross Profit</b>	<u>3,475,664</u>	<u>2,739,584</u>	<u>6,523,618</u>	<u>5,205,408</u>
<b>OPERATING EXPENSES</b>				
Selling, general and administrative	3,175,382	2,022,631	6,152,765	3,902,900
Research and development	178,235	23,963	280,194	33,811
Depreciation and amortization	86,169	75,978	169,820	150,556
<b>Total Operating Expenses</b>	<u>3,439,786</u>	<u>2,122,572</u>	<u>6,602,779</u>	<u>4,087,267</u>
<b>Net Operating Profit/(Loss)</b>	35,878	617,012	(79,161)	1,118,141
<b>Non-Operating Income/(Expense)</b>				
Loss on currency exchange	(1,235)	(19,838)	(10,925)	(10,414)
Gain on disposal of fixed asset, net	49,980	—	49,740	—
Interest, net and other income, net	18,243	5,501	35,723	6,116
<b>TOTAL OTHER INCOME/(EXPENSE)</b>	<u>66,988</u>	<u>(14,337)</u>	<u>74,538</u>	<u>(4,298)</u>
<b>INCOME/(LOSS) BEFORE TAXES</b>	102,866	602,675	(4,623)	1,113,843
Income Tax Expense	(24,683)	(126,952)	(2,584)	(234,693)
<b>NET INCOME/(LOSS)</b>	<u>\$ 78,183</u>	<u>\$ 475,723</u>	<u>\$ (7,207)</u>	<u>\$ 879,150</u>
<b>NET INCOME PER SHARE</b>				
Basic	\$ 0.00	\$ 0.01	\$ 0.00	\$ 0.02
Diluted	<u>\$ 0.00</u>	<u>\$ 0.01</u>	<u>\$ 0.00</u>	<u>\$ 0.02</u>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>				
Basic	38,353,000	38,100,040	38,279,718	38,058,500
Diluted	<u>39,299,800</u>	<u>38,872,998</u>	<u>39,219,752</u>	<u>38,815,301</u>

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

For the Six Months  
Ended

	June 30,	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net (Loss)/Income	\$ (7,207)	\$ 879,150
Adjustments to reconcile net(loss)/income to net cash (used in)/provided by operating activities:		
Stock based compensation expense	529,538	94,170
Depreciation and amortization	169,820	150,556
Deferred capital gain - building lease	(3,763)	(11,240)
Deferred taxes	66,494	(941)
Gain on disposal of fixed asset	(49,740)	—
Changes in operating assets and liabilities:		
(Increase)/Decrease in accounts receivable	(1,867,342)	21,855
Increase in inventory	(467,706)	(59,613)
Decrease/(Increase) in prepaid expense and other assets	44,874	(85,149)
Increase in accounts payable	76,882	257,549
Decrease in accrued payroll and related taxes	(249,730)	(147,597)
Increase/(Decrease) in accrued expense	346,181	(118,587)
Decrease in accrued tax liability	(72,210)	(24,366)
<b>NET CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES</b>	<b>(1,483,909)</b>	<b>955,787</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for capital expenditures	(67,079)	(93,185)
Purchase of certificate of deposit	—	(1,500,000)
Reinvested earnings on certificate of deposit	—	(4,818)
Payments for patents	(136,182)	(64,436)
Proceeds on disposal of fixed asset	217,821	—
Proceeds from certificates of deposit	1,517,927	103,807
<b>NET CASH PROVIDED BY/(USED IN) INVESTING ACTIVITIES</b>	<b>1,532,487</b>	<b>(1,558,632)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Stock issuances	24,700	51,250
Payment for cancelled shares	(2,820)	(1,755)
Finance lease	(2,069)	—
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>19,811</b>	<b>49,495</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>68,389</b>	<b>(553,350)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>3,738,803</b>	<b>3,974,536</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 3,807,192</b>	<b>\$ 3,421,186</b>
Supplemental Information		
Cash paid during the periods for:		
Interest	\$ 233	\$ —
Taxes	\$ —	\$ 260,000
<b>NON-CASH FINANCING AND INVESTING ACTIVITIES</b>		
Issuance of common stock as compensation	\$ 212,898	\$ 67,500

**REPRO MED SYSTEMS, INC.**  
**RECONCILIATION OF NON-GAAP MEASURES**

Reconciliation of GAAP Net (Loss)/Income to Non-GAAP Adjusted EBITDA:	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
GAAP Net Income/(Loss)	\$ 78,183	\$ 475,723	\$ (7,207)	\$ 879,150
Tax Expense	24,683	126,952	2,584	234,693
Depreciation/Amortization	86,169	75,978	169,820	150,556
Interest Income, Net	(18,243)	(5,501)	(35,723)	(6,116)
Reorganization Charges	—	78,646	354,926	151,197
Litigation	1,124,947	150,500	1,617,462	306,300
Stock Option Expense	194,765	29,487	316,640	56,670
Non-GAAP Adjusted EBITDA	<u>\$ 1,490,504</u>	<u>\$ 931,785</u>	<u>\$ 2,418,502</u>	<u>\$ 1,772,450</u>

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