

January 22, 2025



ProPhase Labs Announces Closing of \$23.6 Million Sale of Pharmaloz Manufacturing to Houston-Based Private Equity Firm

Transaction Eliminates More Than \$20 Million in Debt, and Other Financial Obligations, Provides \$2 million in Cash and Significantly Enhances the Company's Balance Sheet and Liquidity

The Company will review with shareholders at 2:00 p.m. EST, details below.

GARDEN CITY, NY, Jan. 22, 2025 (GLOBE NEWSWIRE) -- ProPhase Labs, Inc. (NASDAQ: PRPH) ("ProPhase" or the "Company"), a next-generation biotech, genomics, and diagnostics company, today announced the closing of the sale of its wholly-owned subsidiaries, Pharmaloz Manufacturing Inc. and Pharmaloz Real Estate Holdings, Inc. (collectively "Pharmaloz" or "PMI"), to a private equity group based in Houston, Texas ("Buyer" or "Buyers"). The transaction carries an aggregate deal value of approximately \$23.6 million and will immediately bolster ProPhase's balance sheet and liquidity by eliminating over \$20 million in debt, payables, and other contingent liabilities.

As part of this transformative deal, the Buyers are providing approximately \$2 million in cash payments while more than \$10 million in debt will be retired. Additionally, the Buyers are assuming nearly \$2 million in capital leases and close to \$3 million in current and accrued payables, as well as canceling \$300,000 in accrued interest tied to the debt being retired. The private equity firm will further assume approximately \$3 million of upcoming capital expenditures.

The transaction includes the acquisition of Pharmaloz Real Estate Holdings, with the private equity group assuming the existing \$3.3 million mortgage on PMI's manufacturing facility. Several ProPhase employees will transfer to Pharmaloz, thereby reducing the Company's overhead. Overall, the transaction better positions the Company to focus on its highly promising and high value core businesses.

Transaction Highlights:

1. Receipt by the Company of approximately \$2 million in cash payments
2. Extinguishes approximately \$10 million in debt with an interest rate of 15% per annum
3. Cancellation of approximately \$300,000 in accrued and unpaid interest on the above-referenced debt

4. Paydown of \$200,000 on an existing loan from Buyer affiliates
5. Assumption of approximately \$3 million in current PMI payables
6. Buyout of an existing capital lease with a carrying value of almost \$2 million
7. Assumption of the \$3.3 million mortgage on PMI's manufacturing facility
8. Transfer of over \$600,000 in employee annual overhead to PMI
9. Avoidance of approximately \$3 million in planned near-term capital expenditures, which Buyer will now be responsible for.

Executive Perspective

“The Company previously announced aggressive measures to reduce overhead and improve the balance sheet to allow the Company to focus on our core businesses. We anticipate additional updates regarding these initiatives in the near future. The sale of Pharmaloz is yet another step in this direction, bringing the Company closer to sustainable profitability,” said Ted Karkus, CEO of ProPhase Labs. “After evaluating numerous transactions, this deal made the most sense for our Company, both today and in the future. The retirement of a substantial portion of our debt significantly strengthens the balance sheet and eliminates a massive interest rate overhang that was limiting the potential growth of our three core businesses, BE-Smart Esophageal Cancer Test, TK Supplements including the near-term launch of Equivir, and DNA Complete.”

“This new approach frees us from many of the monthly debt and overhead constraints that we have now eliminated. We can now more effectively deploy capital to help nurture and grow these very exciting businesses. As we work toward a potential partnership for BE-Smart, we will remain laser-focused on our core growth opportunities. We eagerly anticipate the upcoming launch of Equivir and accelerating the growth of our new DNA Complete marketing initiatives. Additionally, the Company has initiated a highly effective new strategy for collecting substantial capital from the Covid accounts receivable and will be providing additional details in a future press release. This new A/R initiative, together with the closing of the sale of PMI suggests that the future for our Company is brighter than ever,” concluded Mr. Karkus.

The Company will present in the live Virtual Non-Deal Roadshow Series hosted by Renmark Financial Communications Inc. Ted Karkus, Chairman & Chief Executive Officer, will present on Wednesday, January 22nd, at 2:00 p.m. EST.

REGISTER HERE:

<https://www.renmarkfinancial.com/events/renmark-virtual-non-deal-roadshow-nasdaq-prph-gd1R0oLWEN>

- To ensure smooth connectivity, please access the link above using the latest version of Google Chrome.

About ProPhase Labs

ProPhase Labs Inc. (Nasdaq: PRPH) (“ProPhase”) is a next-generation biotech, genomics and diagnostics company. Our goal is to create a healthier world with bold action and the power of insight. We’re revolutionizing healthcare with industry-leading Whole Genome Sequencing solutions, while developing potential game changer diagnostics and therapeutics in the fight against cancer. This includes a potentially life-saving cancer test focused on early detection of esophageal cancer and potential breakthrough cancer therapeutics with novel mechanisms of action. We develop, manufacture, and commercialize health and wellness solutions to enable people to live their best lives. We are committed to executional excellence, smart diversification, and a synergistic, omni-channel approach. ProPhase Labs’ valuable subsidiaries, their synergies, and significant growth underscore our potential for long-term value.

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 our strategy, plans, objectives and initiatives, including our expectations regarding the future revenue growth potential of each of our subsidiaries, our expectations regarding future liquidity events, the success of our efforts to collect accounts receivables and anticipated timeline for any payments relating thereto, our ability to obtain funding for our operations and the sufficiency of our cash resources. 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 our ability to obtain and maintain necessary regulatory approvals, general economic conditions, consumer demand for our products and services, challenges relating to entering into and growing new business lines, the competitive environment, and the risk factors listed from time to time in our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and any other SEC filings. The Company undertakes no obligation to update forward-looking statements except as required by applicable securities laws. Readers are cautioned that forward-looking statements are not guarantees of future performance and are cautioned not to place undue reliance on any forward-looking statements.

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