

# ProPhase Labs Reports Financial Results for the Three Months and Nine Months Ended September 30, 2018

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Press Release

DOYLESTOWN, Pennsylvania – November 14, 2018. **ProPhase Labs, Inc. (NASDAQ: PRPH, www.ProPhaseLabs.com)** today reported its financial results for the three and nine months ended September 30, 2018. Net sales from continuing operations were \$2.4 million for the three months ended September 30, 2018 as compared to net sales from continuing operations of \$3.0 million for the three months ended September 30, 2017. The Company incurred a net loss for the three months ended September 30, 2018, of \$897,000, or (\$0.08) per share, compared to a net loss of \$472,000, or (\$0.03) per share, for the three months ended September 30, 2017.

Results for the third quarter of 2018 compared to the third quarter of 2017 principally reflect the net effect of (i) a decrease in net sales of \$601,000, (ii) an increase in sales and marketing costs of \$245,000 and (iii) an increase in research and development expenses of \$84,000.

The Company generated net sales from continuing operations for the nine months ended September 30, 2018 of \$9.0 million, as compared to \$5.7 million for the nine months ended September 30, 2017. The Company incurred a net loss from continuing operations for the nine months ended September 30, 2018 of \$1.1 million or (\$0.10) per share, compared to a net loss from continuing operations of \$2.1 million, or (\$0.13) per share, for the nine months ended September 30, 2017.

The financial results for the nine months ended September 30, 2018 as compared to the nine months ended September 30, 2017 reflect the net effect of (i) an increase in net sales of \$3.3 million, (ii) an increase in sales and marketing expenses of \$316,000 and (iii) an increase in administration expenditures of \$37,000.

The Company realized net loss from discontinued operations of \$160,000, or (\$0.01) for the nine months ended September 30, 2018 and a net income from discontinued operations for the nine months ended September 30, 2017, of \$42.9 million, or \$2.58 per share. As a result of the sale of the Cold-EEZE<sup>®</sup> Business, for the nine months ended September 30, 2017, the Company has classified as discontinued operations the (i) gain from the sale of the Cold-EEZE<sup>®</sup> Business, (ii) all gains and losses attributable to the Cold-EEZE<sup>®</sup> Business and (iii) the income tax expense attributed to the sale of the Cold-EEZE<sup>®</sup> Business.

The Company continues to own and operate its manufacturing facility and manufacturing business in Lebanon, Pennsylvania, and its headquarters in Doylestown, Pennsylvania. As part of the sale of the Cold-EEZE<sup>®</sup> Business, the company entered into a manufacturing agreement to supply various Cold-EEZE<sup>®</sup> lozenge products to Mylan. In addition, we produce over-the-counter drug and dietary supplement lozenges and other products for other third party customers. The Company is also pursuing a series of new product development and pre-commercialization initiatives in the dietary supplement category.

Ted Karkus, the CEO of the Company, stated: "We are on track with the development of ProPhase Digital Media ("PDM"), the digital marketing division of the Company. We are close to completion of the testing phase to optimize results for digital distribution of our lead product, Legendz XL<sup>®</sup>. If our model proves successful, our goal is for PDM to market our other internally developed products and ultimately market other companies' products as well."

Mr. Karkus continued, "In addition to digital distribution, we continue to ship our new dietary supplement, Legendz XL<sup>®</sup>, to a major retail drug chain and other retailers. Implementation of our dietary supplement strategy will require significant investment in marketing as well as significant additional distribution within the various retail channels and e-commerce venues in order to achieve a successful launch and build a successful new product line. We are optimistic but cannot assure that other major retail chains will carry Legendz XL<sup>®</sup>."

Mr. Karkus also noted, "We continue to own and operate our Pharnaloz manufacturing facility which manufactures and supplies Cold-EEZE<sup>®</sup> lozenges to Mylan as well as lozenges to other companies on a contract manufacturing basis. Manufacturing revenue fluctuates from quarter to quarter. Also, marketing and distribution expenses may increase as we build our consumer products businesses. Therefore, the Company's results are likely to continue to fluctuate from quarter to quarter."

Mr. Karkus concluded, "Looking forward, in addition to developing our consumer products businesses and growing our manufacturing business, the Company continues to seek development stage acquisitions in the consumer products industry as well as in other sectors and industries, including cyber security, internet of things and blockchain technologies."

## About the Company

ProPhase is a vertically integrated manufacturer, marketer and distributor of a diversified range of over-the-counter ("OTC") dietary supplements. We are engaged in the research and development of additional OTC dietary supplements, including Legendz XL<sup>®</sup>, which are marketed under our TK Supplements brand. The Company is also developing ProPhase Digital Media as a service that leverages and applies technology to the direct-to-consumer marketing of consumer products. With our enhanced liquidity following the sale of our Cold-EEZE brand, we are also actively exploring additional opportunities outside of the consumer products industry. For more information visit us at [www.ProPhaseLabs.com](http://www.ProPhaseLabs.com).

## Forward Looking Statements

All statements contained in this press release, other than statements of historical fact, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act, including statements relating to the launch of our new line of TK Supplements<sup>®</sup> and our new product Legendz XL<sup>®</sup>, our development efforts with respect to our digital marketing business, and our exploration of other potential business opportunities. Forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause actual results to differ materially from those projected in our forward-looking statements. These risks and uncertainties include, but are not limited to: the difficulty of predicting the acceptance and demand for our products and services, the impact of competitive products and services and pricing, costs involved in the manufacture and marketing of products, the timely development and launch of new products, and other risk factors listed from time to time in our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and any subsequent SEC filings. The forward-looking statements included in this press release speak only as of the date of this press release and are based on our current plans and expectations. Management believes that these forward-looking statements are reasonable as and when made. Except as required by applicable law or regulation, we do not undertake any obligation to update our forward-looking statements to reflect future events or circumstances.

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(tables follow)

