

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) February 12, 2019

REPRO MED SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

New York
(State or other jurisdiction
of incorporation)

0-12305
(Commission
File Number)

13-3044880
(IRS Employer
Identification No.)

24 Carpenter Road, Chester, New York
(Address of principal executive offices)

10918
(Zip Code)

Registrant's telephone number, including area code (845) 469-2042

not applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

On February 12, 2019, Rebro Med Systems, Inc. dba RMS Medical Products (“RMS”) issued a press release announcing its operating and financial results for the quarter and twelve months ended December 31, 2018 and a related conference call to be held on February 13, 2019 at 9am ET.

RMS is making reference to non-GAAP financial information in both the press release and the conference call. A reconciliation of GAAP to non-GAAP results is provided in the attached Exhibit 99.1 press release.

The information in Item 2.02 of this Current Report on Form 8-K, including Exhibit 99.1, is furnished and shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS.

(d) Exhibits.

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|--|
| 99.1 | <u>Press release dated February 12, 2019</u> |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

REPRO MED SYSTEMS, INC.
(Registrant)

Date: February 12, 2019

By: /s/ Donald B. Pettigrew
Donald B. Pettigrew
President and Chief Executive Officer

Exhibit 99.1

RMS Medical Products Announces Record Revenue and Profitability for 2018; Outlines Plan for Continued Strong Growth

- Reported record 2018 revenue of \$17.4 million, up 12.4% compared to 2017
- Improved 2018 Profitability; improved Gross Margin, record Net Income and Adjusted EBITDA
- Significant progress made in strengthening management team and Board in 2018
- Strategic Plan adopted with goals of \$50 million net revenues, 70%+ Gross Margins and 20%+ annual organic revenue growth through 2022
- Conference call February 13th at 9:00 AM ET

CHESTER, NY / February 12, 2019 / Repro Med Systems, Inc. dba RMS Medical Products (OTCQX: REPR) (RMS Medical) today announced the latest financial results for the three and twelve months ending December 31, 2018 and outlined its plans for continued strong growth.

“2018 was a critical year for RMS,” said Don Pettigrew, President and Chief Executive Officer of RMS Medical. “We refreshed our management team, strengthened our Board, entered into a new therapeutic indication and are preparing for future growth with the adoption of our Strategic Plan. Our record results in the past year are evidence of the strength of this organization, and the value of the FREEDOM Syringe Infusion System, and we are looking to expand on this strength as we drive towards our vision of becoming *the preferred drug delivery partner for specific infusion therapies in select markets.*” Don continued, “We have laid a solid foundation and developed a game plan to achieve our goals by the end of 2022 of \$50 million net revenues, 70%+ Gross Margins and 20%+ annual organic revenue growth for each year. While we may not always progress in a straight line, the team is focused on achieving these goals and I am confident we can get there.”

Don Pettigrew continued, “While 2018 was a record year financially, the organization underwent a lot of changes. As a result, our numbers, especially in Q4 2018 include some charges related to our management reorganization that we do not expect to incur in the future. We have broken out these charges in our financial results in an effort to show how the business would have performed on a normalized basis and they are described in the Operating Expenses, Non-GAAP Adjusted EBITDA and Non-GAAP Normalized Net Income sections below.” Don concluded, “We look forward to the future of RMS Medical and executing on our plan to achieve its potential.”

Net Sales

For the twelve months ended December 31, 2018, net sales grew 12.4% to \$17.4 million compared to \$15.4 million for the twelve months ended December 31, 2017. Growth in net sales in 2018 was driven by increased penetration of the PIDD market for SubQ Ig, some early adoption of the CIDP market and clinical trials, which are a growing revenue source.

For the three months ended December 31, 2018, net sales totaled \$4.3 million, up 3.5% from \$4.1 million during the three months ended December 31, 2017. While Q4 2018 net sales were above those achieved in our strongest quarter of 2017, fourth quarter sales were sequentially lower versus Q3 2018, mostly due to the timing of orders received in December but shipped in January 2019.

Gross Profit

For 2018, gross profit was \$10.8 million, 62.3% of net sales, up 16.6% compared to \$9.3 million, or 60.0% of net sales during 2017. The expansion of gross profit was the result of increased net sales during the period in addition to improved operating efficiencies which resulted in the improvement in gross margin.

During the fourth quarter of 2018, gross profit expanded 9.0% to \$2.7 million, or 63.5% of net sales, compared to \$2.5 million, or 60.4% of net sales, during the fourth quarter of 2017. Last year we had increased levels of scrap during quality inspections. In January 2018, we implemented a nondestructive testing protocol to reduce scrap which helped drive the improvement in margins both for the quarter and the year.

Operating Expenses

Total operating expenses for the twelve months ended December 31, 2018 were \$9.6 million, 55.6% of net sales, compared to \$8.1 million, 52.6% of net sales, during the twelve months ended December 31, 2017. The increase came primarily in Q4 2018, as described below.

Total operating expenses for the three months ended December 31, 2018 were \$3.1 million compared to \$2.1 million during the three months ended December 31, 2017. In the fourth quarter of 2018, RMS went through significant organizational changes and incurred expenditures related to the termination and replacement of C-suite executives and senior management, legal expenses related to activities under the purview of the special committee formed by the Board as previously disclosed, the recruitment of new directors replacing exiting directors and investment banking and legal fees for the recent Common Stock Purchase Agreement the Company executed on December 17, 2018. In aggregate these expenses were \$0.6 million for the fourth quarter and \$1.0 million for the twelve months ended December 31, 2018. Further driving expenses for the quarter and year were increased costs related to our continued litigation with a competitor, as well as stock compensation expense mostly related to new hires, in aggregate \$0.4 million for the fourth quarter and \$0.4 million for the year.

Net Income

2018 net income was \$0.9 million, 5.2% of net sales, compared to \$0.8 million, or 5.3% of net sales for 2017. For the fourth quarter of 2018, net loss was \$355,000 compared to net income of \$278,000 during the fourth quarter of 2017 due to the increase in operating expenses and the timing of orders as described above, partially offset by the favorable change in tax legislation.

Non-GAAP Adjusted EBITDA

Adjusted EBITDA excludes from net income: tax (benefit)/expense, depreciation and amortization, interest income, operating expenses associated with the Company's organizational changes and stock compensation expense. For the year ended December 31, 2018, adjusted EBITDA was \$2.7 million, 15.8% of net sales, up 73.9%, compared to \$1.6 million, or 10.2% of net sales, during 2017. Adjusted EBITDA was approximately \$448,000 for the three months ended December 31, 2018 compared to \$469,000 during the same period of 2017.

Non-GAAP Normalized Net Income

Normalized net income excludes from net income: operating expenses and tax expense adjustment associated with the Company's organizational changes. For the year ended December 31, 2018, normalized net income was \$1.7 million compared with \$0.8 million, up 107.2%. Normalized net income was \$0.1 million for the three months ended December 31, 2018 and \$0.3 million for the three months ended December 31, 2017.

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.

Presentation of Financials

As a result of our fiscal year end change, our Form 10-K for the period ending December 31, 2018 is required to provide a presentation of the twelve months ending December 31, 2018 versus the ten months ending December 31, 2017. For comparison purposes, where we believe it will promote a better understanding of our performance, this press release presents the twelve months ending December 31, 2018 and 2017. References to 2017 without further specifications are to the twelve months ending December 31, 2017.

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: “plan,” “goal,” “seek,” “vision,” “confident,” “future,” “will” 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.

Conference Call

An accompanying conference call will be led by Don Pettigrew, President and Chief Executive Officer and Karen Fisher, Chief Financial Officer. The call will be held at 9:00AM ET, on Wednesday February 13th, 2019. Please refer to the information below for conference call dial-in information and webcast registration.

Conference Call Date: Wednesday, February 13, 2019 9:00 AM ET

Conference Call Dial-In: 877.269.7756

International Dial-In: 201.689.7817

Conference Call Name: RMS Medical Products (OTCQX: REPR) 2018 Results Call

Webcast Registration: [Click Here](#)

Following the live call, a replay will be available for six months on the RMS website, <http://www.rmsmedpro.com/>, under "Investor Relations."

About RMS Medical Products

The Company develops, manufactures and commercializes medical products used for home infusions. The FREEDOM Syringe Infusion System currently includes the FREEDOM60® and FreedomEdge® Syringe Infusion Drivers, RMS Precision Flow Rate Tubing™ and RMS HIGH-Flo Subcutaneous Safety Needle Sets™. These devices are used for infusions administered in professional healthcare settings as well as at home. For more information about RMS Medical, please visit www.rmsmedicalproducts.com.

Contact

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SELECTED FINANCIAL RESULTS

| | For the Three Months Ended December 31, | | For the Twelve Months Ended December 31, | |
|---|--|--------------|---|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| NET SALES | \$ 4,271,001 | \$ 4,125,480 | \$ 17,353,737 | \$ 15,442,712 |
| Cost of goods sold | 1,557,489 | 1,635,284 | 6,543,249 | 6,174,605 |
| Gross Profit | 2,713,512 | 2,490,196 | 10,810,488 | 9,268,107 |
| OPERATING EXPENSES | | | | |
| Selling, general and administrative | 2,989,053 | 2,057,616 | 9,095,565 | 7,731,972 |
| Research and development | 80,389 | 3,023 | 241,124 | 88,621 |
| Depreciation and amortization | 80,362 | 77,383 | 309,263 | 306,562 |
| Total Operating Expenses | 3,149,804 | 2,138,022 | 9,645,952 | 8,127,155 |
| Net Operating (Loss)/Profit | (436,292) | 352,174 | 1,164,536 | 1,140,952 |
| Non-Operating Income/(Expense) | | | | |
| (Loss)/gain on disposal of fixed asset | (1,069) | — | 4,930 | — |
| (Loss)/income on foreign currency exchange | (4,363) | 3,487 | (20,620) | 65,651 |
| Interest income | 15,015 | 1,316 | 28,104 | 3,743 |
| (LOSS)/INCOME BEFORE TAXES | (426,709) | 356,977 | 1,176,950 | 1,210,346 |
| Income Tax (Benefit)/Expense | (71,576) | 78,607 | 266,380 | 390,799 |
| NET (LOSS)/INCOME | \$ (355,133) | \$ 278,370 | \$ 910,570 | \$ 819,547 |
| NET (LOSS)/INCOME PER SHARE | | | | |
| Basic | \$ (0.01) | \$ 0.01 | \$ 0.02 | \$ 0.02 |
| Diluted | \$ (0.01) | \$ 0.01 | \$ 0.02 | \$ 0.02 |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING | | | | |
| Basic | 38,202,539 | 37,994,298 | 38,128,260 | 37,873,755 |
| Diluted | 39,028,511 | 38,649,178 | 38,921,622 | 38,393,836 |

SELECTED FINANCIAL RESULTS

| | For the Twelve Months Ended December 31, 2018 | For the Ten Months Ended December 31, 2017 |
|---|--|---|
| NET SALES | \$ 17,353,737 | \$ 13,313,894 |
| Cost of goods sold | 6,543,249 | 5,174,946 |
| Gross Profit | <u>10,810,488</u> | <u>8,138,948</u> |
| OPERATING EXPENSES | | |
| Selling, general and administrative | 9,095,565 | 6,594,570 |
| Research and development | 241,124 | 50,587 |
| Depreciation and amortization | 309,263 | 257,257 |
| Total Operating Expenses | <u>9,645,952</u> | <u>6,902,414</u> |
| Net Operating Profit | 1,164,536 | 1,236,534 |
| Non-Operating Income/(Expense) | | |
| Gain on sales of fixed assets, net | 4,930 | — |
| (Loss)/Gain on foreign currency exchange | (20,620) | 68,566 |
| Interest income | <u>28,104</u> | <u>2,420</u> |
| INCOME BEFORE TAXES | 1,176,950 | 1,307,520 |
| Income Tax Expense | <u>266,380</u> | <u>402,563</u> |
| NET INCOME | <u>\$ 910,570</u> | <u>\$ 904,957</u> |
| NET INCOME PER SHARE | | |
| Basic | <u>\$ 0.02</u> | <u>\$ 0.02</u> |
| Diluted | <u>\$ 0.02</u> | <u>\$ 0.02</u> |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING | | |
| Basic | <u>38,128,260</u> | <u>37,897,632</u> |
| Diluted | <u>38,921,622</u> | <u>38,445,482</u> |

REPRO MED SYSTEMS, INC.
BALANCE SHEETS

| | <u>December 31,</u> <u>2018</u> | <u>December 31,</u> <u>2017</u> |
|---|------------------------------------|------------------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 3,738,803 | \$ 3,974,536 |
| Certificates of deposit | 1,517,927 | 263,269 |
| Accounts receivable less allowance for doubtful accounts of \$37,500 and \$77,067 for December 31, 2018, and December 31, 2017, respectively | 1,425,854 | 1,861,949 |
| Inventory | 2,103,879 | 1,658,681 |
| Prepaid expenses | 246,591 | 170,739 |
| TOTAL CURRENT ASSETS | <u>9,033,054</u> | <u>7,929,174</u> |
| Property and equipment, net | 858,781 | 836,283 |
| Patents, net of accumulated amortization of \$239,581 and \$203,768 at December 31, 2018 and December 31, 2017, respectively | 632,156 | 483,821 |
| Deferred tax asset | 1,466 | — |
| Other assets | 19,582 | 31,582 |
| TOTAL ASSETS | <u>\$ 10,545,039</u> | <u>\$ 9,280,860</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Deferred capital gain - current | \$ 3,763 | \$ 22,481 |
| Accounts payable | 453,498 | 454,398 |
| Accrued expenses | 688,649 | 658,060 |
| Accrued payroll and related taxes | 421,714 | 334,903 |
| Accrued tax liability | 16,608 | 115,854 |
| TOTAL CURRENT LIABILITIES | <u>1,584,232</u> | <u>1,585,696</u> |
| Deferred capital gain – long term | — | 3,762 |
| Deferred tax liability | — | 21,675 |
| TOTAL LIABILITIES | <u>1,584,232</u> | <u>1,611,133</u> |
| STOCKHOLDERS' EQUITY | | |
| Common stock, \$0.01 par value, 75,000,000 shares authorized, 40,932,911 and 40,731,529 shares issued; 38,195,680 and 37,994,298 shares outstanding at December 31, 2018, and December 31, 2017, respectively | 409,329 | 407,315 |
| Additional paid-in capital | 4,595,214 | 4,216,718 |
| Retained earnings | 4,300,468 | 3,389,898 |
| | <u>9,305,011</u> | <u>8,013,931</u> |
| Less: Treasury stock, 2,737,231 shares at December 31, 2018 and December 31, 2017, respectively, at cost | <u>(344,204)</u> | <u>(344,204)</u> |
| TOTAL STOCKHOLDERS' EQUITY | <u>8,960,807</u> | <u>7,669,727</u> |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | <u>\$ 10,545,039</u> | <u>\$ 9,280,860</u> |

REPRO MED SYSTEMS, INC.
STATEMENTS OF CASH FLOWS

| | For the | |
|---|--|---|
| | Twelve Months Ended December 31, 2018 | Ten Months Ended December 31, 2017 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net Income | \$ 910,570 | \$ 904,957 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Stock based compensation expense | 366,081 | 108,083 |
| Depreciation and amortization | 309,263 | 257,257 |
| Gain on sale of fixed asset | (4,930) | — |
| Deferred capital gain – building lease | (22,480) | (18,734) |
| Deferred taxes | (23,141) | (60,747) |
| Provision for returns and doubtful accounts | (39,567) | 58,941 |
| Changes in operating assets and liabilities: | | |
| Decrease/(Increase) in accounts receivable | 475,662 | (418,860) |
| Increase in inventory | (445,198) | (304,978) |
| (Increase)/Decrease in prepaid expense | (75,852) | 5,217 |
| Decrease/(Increase) in other assets | 12,000 | (93) |
| Decrease in accounts payable | (900) | (318,030) |
| Increase in accrued payroll and related taxes | 86,811 | 157,885 |
| Increase in accrued expense | 30,589 | 240,703 |
| (Decrease)/Increase in accrued tax liability | (99,246) | 288,311 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>1,479,662</u> | <u>899,912</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Payments for capital expenditures | (297,018) | (137,817) |
| Payments for patents | (184,148) | (80,509) |
| Purchase of certificate of deposit | (1,500,000) | (955) |
| Proceeds from certificates of deposit | 245,342 | — |
| Proceeds on sale of fixed assets | 6,000 | — |
| NET CASH USED IN INVESTING ACTIVITIES | <u>(1,729,824)</u> | <u>(219,281)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Stock issuances | 51,250 | — |
| Payment for cancelled shares | (36,821) | (19,360) |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | <u>14,429</u> | <u>(19,360)</u> |
| Net (Decrease)/Increase in CASH AND CASH EQUIVALENTS | (235,733) | 661,271 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>3,974,536</u> | <u>3,313,265</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 3,738,803</u> | <u>\$ 3,974,536</u> |
| Supplemental Information | | |
| Cash paid during the years for: | | |
| Interest | \$ — | \$ — |
| Taxes | <u>\$ 378,000</u> | <u>\$ 175,000</u> |
| NON-CASH FINANCING AND INVESTING ACTIVITIES | | |
| Issuance of common stock as compensation | <u>\$ 118,041</u> | <u>\$ 112,500</u> |

| Reconciliation of GAAP Net (Loss)/Income to Non-GAAP Adjusted EBITDA: | Three Months Ending December 31, | | Twelve Months Ending December 31, | |
|--|-------------------------------------|--------------|--------------------------------------|--------------|
| | 2018 | 2017 | 2018 | 2017 |
| | GAAP Net Income | \$ (355,133) | \$ 278,370 | \$ 910,570 |
| Tax (Benefit)/Expense | (71,576) | 78,607 | 266,380 | 390,799 |
| Depreciation/Amortization | 80,362 | 77,383 | 309,263 | 306,562 |
| Interest Income | (15,015) | (1,316) | (28,104) | (3,743) |
| Reorganization Charges | 612,779 | — | 996,447 | — |
| Stock Compensation Expense | 196,448 | 35,926 | 293,040 | 66,947 |
| Non-GAAP Adjusted EBITDA | \$ 447,865 | \$ 468,970 | \$ 2,747,596 | \$ 1,580,112 |

| Reconciliation of GAAP Net (Loss)/Income to Non-GAAP Normalized Net Income: | Three Months Ending December 31, | | Twelve Months Ending December 31, | |
|--|-------------------------------------|--------------|--------------------------------------|------------|
| | 2018 | 2017 | 2018 | 2017 |
| | GAAP Net (Loss)/Income | \$ (355,133) | \$ 278,370 | \$ 910,570 |
| Reorganization Charges | 612,779 | — | 996,447 | — |
| Tax (Expense) adjustment | (128,684) | — | (209,254) | — |
| Non-GAAP Normalized Net Income | \$ 128,962 | \$ 278,370 | \$ 1,697,763 | \$ 819,547 |