

REFINITIV

DELTA REPORT

10-Q

INFU - INFUSYSTEM HOLDINGS, INC

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 831

 CHANGES 151

 DELETIONS 356

 ADDITIONS 324

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

for the quarterly period ended **September 30, 2023** **March 31, 2024**

or

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

for the transition period from _____ to _____

Commission File Number: 001-35020



INFUSYSTEM HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

20-3341405
(I.R.S. Employer
Identification No.)

3851 West Hamlin Road

Rochester Hills, Michigan 48309

(Address of Principal Executive Offices)

Registrant's Telephone Number, including Area Code: (248) 291-1210

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on which Registered
Common Stock, par value \$0.0001 per share	INFU	NYSE American LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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. No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 5, 2023 May 3, 2024, 21,183,526 21,295,254 shares of the registrant's common stock, par value \$0.0001 per share, were outstanding.

INFUSYSTEM HOLDINGS, INC. AND SUBSIDIARIES

Index to Form 10-Q

	PAGE
PART I - <u>FINANCIAL INFORMATION</u>	
Item 1. <u>Financial Statements</u>	3
- <u>Unaudited Condensed Consolidated Balance Sheets as of September 30, 2024, March 30, 2023 and December 31, 2022, December 31, 2023</u>	3
- <u>Unaudited Condensed Consolidated Statements of Operations and Comprehensive Income Loss for the three and nine months ended September 30, 2024, March 30, 2023 and December 31, 2022, 2023</u>	4
- <u>Unaudited Condensed Consolidated Statements of Stockholders' Equity for the three and nine months ended September 30, 2024, March 30, 2023 and December 31, 2022, 2023</u>	5
- <u>Unaudited Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, March 31, 2024 and 2023 and December 31, 2022</u>	6
- <u>Notes to the Unaudited Condensed Consolidated Financial Statements</u>	76
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	1920
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	3128
Item 4. <u>Controls and Procedures</u>	3229
PART II - <u>OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	3229
Item 1A. <u>Risk Factors</u>	3329
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	3330
Item 3. <u>Defaults Upon Senior Securities</u>	3330
Item 4. <u>Mine Safety Disclosures</u>	3330
Item 5. <u>Other Information</u>	3330
Item 6. <u>Exhibits</u>	3431
<u>Signatures</u>	3532

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

INFUSYSTEM HOLDINGS, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

<i>(in thousands, except par value and share data)</i>	<i>(in thousands, except par value and share data)</i>	As of		<i>(in thousands, except par value and share data)</i>	As of	
		September 30, 2023	December 31, 2022		March 31, 2024	December 31, 2023
ASSETS	ASSETS					
ASSETS						

ASSETS					
Current assets:	Current assets:		Current assets:		
Cash and cash equivalents	Cash and cash equivalents	\$ 161	\$ 165	Cash and cash equivalents	\$ 822
Accounts receivable, net	Accounts receivable, net	19,455	16,871	Accounts receivable, net	20,543
Inventories		6,091	4,821	Inventories, net	6,249
Inventories, net				Inventories, net	6,402
Other current assets	Other current assets	4,012	2,922	Other current assets	4,842
Total current assets					
Total current assets					
Total current assets	Total current assets	29,719	24,779		32,456
Medical equipment for sale or rental	Medical equipment for sale or rental	3,975	2,790	Medical equipment for sale or rental	4,084
Medical equipment in rental service, net of accumulated depreciation	Medical equipment in rental service, net of accumulated depreciation	35,278	39,450	Medical equipment in rental service, net of accumulated depreciation	34,425
Property & equipment, net of accumulated depreciation	Property & equipment, net of accumulated depreciation	4,233	4,385	Property & equipment, net of accumulated depreciation	4,231
Goodwill	Goodwill	3,710	3,710	Goodwill	3,710
Intangible assets, net	Intangible assets, net	7,694	8,436	Intangible assets, net	7,199
Operating lease right of use assets	Operating lease right of use assets	4,291	4,168	Operating lease right of use assets	6,206
Deferred income taxes	Deferred income taxes	9,245	9,625	Deferred income taxes	9,236
Derivative financial instruments	Derivative financial instruments	2,165	1,965	Derivative financial instruments	1,716
Other assets	Other assets	1,761	80	Other assets	1,587
Total assets	Total assets	\$ 102,071	\$ 99,388		
Total assets					
Total assets					\$ 104,850
LIABILITIES AND STOCKHOLDERS' EQUITY		LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES AND STOCKHOLDERS' EQUITY					
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:	Current liabilities:				
Current liabilities:	Current liabilities:				
Current liabilities:	Current liabilities:				
Accounts payable	Accounts payable	\$ 7,629	\$ 8,341		
Current portion of long-term debt		—	—		
Accounts payable					
Accounts payable					\$ 9,796
					\$ 8,009

Other current liabilities						
Other current liabilities						
Other current liabilities	Other current liabilities	6,646	6,126		7,516	7,704
Total current liabilities						
Total current liabilities						
Total current liabilities	Total current liabilities	14,275	14,467		17,312	15,713
Long-term debt, net of current portion	Long-term debt, net of current portion	32,655	33,157	Long-term debt, net of current portion	29,931	29,101
Operating lease liabilities, net of current portion	Operating lease liabilities, net of current portion	3,672	3,761			
Operating lease liabilities, net of current portion						
Operating lease liabilities, net of current portion					5,331	5,799
Total liabilities						
Total liabilities						
Total liabilities	Total liabilities	50,602	51,385		52,574	50,613
Stockholders' equity: Stockholders' equity:						
Stockholders' equity:						
Preferred stock, \$0.0001 par value: authorized 1,000,000 shares; none issued	Preferred stock, \$0.0001 par value: authorized 1,000,000 shares; none issued	—	—			
Common stock, \$0.0001 par value: authorized 200,000,000 shares; 21,183,526 shares issued and outstanding as of September 30, 2023 and 20,781,977 shares issued and outstanding as of December 31, 2022	Common stock, \$0.0001 par value: authorized 200,000,000 shares; 21,183,526 shares issued and outstanding as of September 30, 2023 and 20,781,977 shares issued and outstanding as of December 31, 2022	2	2			
Preferred stock, \$0.0001 par value: authorized 1,000,000 shares; none issued						
Preferred stock, \$0.0001 par value: authorized 1,000,000 shares; none issued						
Common stock, \$0.0001 par value: authorized 200,000,000 shares; 21,196,851 shares issued and outstanding as of December 31, 2023	Common stock, \$0.0001 par value: authorized 200,000,000 shares; 21,196,851 shares issued and outstanding as of December 31, 2023	2	2			
Additional paid-in capital	Additional paid-in capital	108,530	105,856	Additional paid-in capital	110,715	109,837
Accumulated other comprehensive income	Accumulated other comprehensive income	1,634	1,489	Accumulated other comprehensive income	1,296	1,088

Retained deficit	Retained deficit	(58,697)	(59,344)	Retained deficit	(59,737)	(58,625)
Total stockholders' equity	Total stockholders' equity	51,469	48,003			
Total stockholders' equity						
Total stockholders' equity					52,276	52,302
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	\$ 102,071	\$ 99,388			
Total liabilities and stockholders' equity						
Total liabilities and stockholders' equity					\$104,850	\$ 102,915

See accompanying notes to unaudited condensed consolidated financial statements.

INFUSYSTEM HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME LOSS
(UNAUDITED)

(in thousands, except share and per share data)

(in thousands, except share and per share data)

<i>(in thousands, except share and per share data)</i>	<i>(in thousands, except share and per share data)</i>	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	2024	2023
		2023	2022	2023	2022			
Net revenues	Net revenues	\$ 31,909	\$ 27,279	\$ 94,014	\$ 81,084	\$ 31,995	\$ 30,370	
Cost of revenues	Cost of revenues	15,663	11,060	45,786	34,597	Cost of revenues	15,521	15,420
Gross profit	Gross profit	16,246	16,219	48,228	46,487	Gross profit	16,474	14,950
Selling, general and administrative expenses:	Selling, general and administrative expenses:							
Provision for doubtful accounts		(169)	(90)	(122)	(84)			
Selling, general and administrative expenses:								
Amortization of intangibles	Amortization of intangibles							
Amortization of intangibles	Amortization of intangibles	248	704	743	2,125	248	248	
Selling and marketing	Selling and marketing	2,728	2,894	8,937	9,296	Selling and marketing	3,376	3,224
General and administrative	General and administrative	11,742	11,768	35,832	34,525	General and administrative	13,695	11,585
Total selling, general and administrative	Total selling, general and administrative	14,549	15,276	45,390	45,862			
Total selling, general and administrative								

Total selling, general and administrative					17,319	15,057
Operating income	1,697	943	2,838	625		
Operating loss						
Operating loss						
Operating loss					(845)	(107)
Other expense:	Other expense:					
Interest expense	Interest expense	(563)	(385)	(1,667)	(976)	
Other expense		(14)	(11)	(47)	(69)	
Interest expense						
Interest expense						(456)
Other income (expense)						(484)
Other income (expense)					Other income (expense)	3
Income (loss) before income taxes	1,120	547	1,124	(420)		
(Provision for) benefit from income taxes	(431)	(104)	(324)	331		
Net income (loss)	\$ 689	\$ 443	\$ 800	\$ (89)		
Net income (loss) per share:						
Loss before income taxes						
Loss before income taxes						
Loss before income taxes						(1,298)
Benefit from income taxes						(626)
Net loss					Benefit from income taxes	186
Net loss					Net loss	\$ (1,112)
Net loss per share:						\$ (324)
Basic						
Basic						
Basic	Basic	\$ 0.03	\$ 0.02	\$ 0.04	\$ —	\$ (0.05)
Diluted	Diluted	\$ 0.03	\$ 0.02	\$ 0.04	\$ —	\$ (0.05)
Weighted average shares outstanding:	Weighted average shares outstanding:				Diluted	\$ (0.02)
Basic	Basic	21,095,404	20,683,366	20,968,711	20,625,826	
Basic						21,225,768
Basic						20,853,018
Diluted	Diluted	21,719,404	21,452,483	21,615,706	20,625,826	Diluted
Comprehensive income:						21,225,768
Net income (loss)	\$ 689	\$ 443	\$ 800	\$ (89)		20,853,018
Other comprehensive income:						
Unrealized gain on hedges	254	605	200	1,754		
Provision for income tax on unrealized hedge gain	(62)	(146)	(55)	(423)		
Net comprehensive income	\$ 881	\$ 902	\$ 945	\$ 1,242		
Comprehensive loss:						
Comprehensive loss:						
Comprehensive loss:						
Net loss						
Net loss						
Net loss						\$ (1,112)
Other comprehensive income (loss):						\$ (324)
Unrealized gain (loss) on hedges						
Unrealized gain (loss) on hedges						

Unrealized gain (loss) on hedges	274	(282)
(Provision for) benefit from income tax on unrealized hedge gain		
	(Provision for) benefit from income tax on unrealized hedge gain	
	(66)	63
Net comprehensive loss	Net comprehensive loss	\$ (904) \$ (543)

See accompanying notes to unaudited condensed consolidated financial statements.

INFUSYSTEM HOLDINGS, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)																																			
(in thousands)	Common Stock					Treasury Stock																													
	Shares	Par Value Amount	Additional Paid in Capital	Retained Deficit	Accumulated Other Comprehensive Income	Shares	Par Value Amount	Total Stockholders' Equity																											
Balances at June 30, 2022	20,695	\$ 2	\$ 104,146	\$ (58,791)	\$ 1,140			\$ 46,497																											
Stock-based shares issued upon vesting - gross	86	—	212	—	—	—	—	212																											
Stock-based compensation expense	—	—	1,066	—	—	—	—	1,066																											
Employee stock purchase plan	33	—	192	—	—	—	—	192																											
Common stock repurchased as part of share repurchase program	(136)	—	—	(1,003)	—	—	—	(1,003)																											
Common stock repurchased to satisfy minimum statutory withholding on stock-based compensation	(8)	—	(59)	—	—	—	—	(59)																											
Other comprehensive income	—	—	—	—	459	—	—	459																											
Net income	—	—	—	443	—	—	—	443																											
Balances at September 30, 2022	20,670	\$ 2	\$ 105,557	\$ (59,351)	\$ 1,599			\$ 47,807																											
Balances at June 30, 2023	21,051	\$ 2	\$ 107,898	\$ (59,386)	\$ 1,442			\$ 49,956																											
Stock-based shares issued upon vesting - gross	159	—	—	—	—	—	—	—																											
Stock-based compensation expense	—	—	1,063	—	—	—	—	1,063																											
Employee stock purchase plan	31	—	203	—	—	—	—	203																											
Common stock repurchased to satisfy minimum statutory withholding on stock-based compensation	(57)	—	(634)	—	—	—	—	(634)																											
Other comprehensive income	—	—	—	—	192	—	—	192																											
Net income	—	—	—	689	—	—	—	689																											
Balances at September 30, 2023	21,184	\$ 2	\$ 108,530	\$ (58,697)	\$ 1,634			\$ 51,469																											
Balances at December 31, 2021	20,700	\$ 2	\$ 101,905	\$ (53,903)	\$ 268			\$ 48,272																											
Stock-based shares issued upon vesting - gross	474	—	685	—	—	—	—	685																											
Stock-based compensation expense	—	—	3,236	—	—	—	—	3,236																											
Employee stock purchase plan	61	—	428	—	—	—	—	428																											
Common stock repurchased as part of share repurchase program	(485)	—	—	(5,359)	—	—	—	(5,359)																											
Common stock repurchased to satisfy minimum statutory withholding on stock-based compensation	(80)	—	(697)	—	—	—	—	(697)																											
Other comprehensive income	—	—	—	—	1,331	—	—	1,331																											
Net loss	—	—	—	(89)	—	—	—	(89)																											
Balances at September 30, 2022	20,670	\$ 2	\$ 105,557	\$ (59,351)	\$ 1,599			\$ 47,807																											
Balances at December 31, 2022	20,782	\$ 2	\$ 105,856	\$ (59,344)	\$ 1,489			\$ 48,003																											
Stock-based shares issued upon vesting - gross	468	—	586	—	—	—	—	586																											
Stock-based compensation expense	—	—	2,799	—	—	—	—	2,799																											
Employee stock purchase plan	72	—	446	—	—	—	—	446																											
Common stock repurchased as part of share repurchase program	(22)	—	—	(153)	—	—	—	(153)																											
Common stock repurchased to satisfy minimum statutory withholding on stock-based compensation	(116)	—	(1,157)	—	—	—	—	(1,157)																											
Other comprehensive income	—	—	—	—	145	—	—	145																											
Net income	—	—	—	800	—	—	—	800																											
Balances at September 30, 2023	21,184	\$ 2	\$ 108,530	\$ (58,697)	\$ 1,634			\$ 51,469																											
<table border="1"> <thead> <tr> <th colspan="9">(in thousands)</th></tr> <tr> <th colspan="3">Common Stock</th><th colspan="2">Additional Paid in Capital</th><th colspan="2">Accumulated Other Comprehensive Income</th><th colspan="2">Total Stockholders' Equity</th></tr> <tr> <th>Shares</th><th>Par Value Amount</th><th>Capital</th><th>Retained Deficit</th><th>Comprehensive Income</th><th>Total Stockholders' Equity</th><th></th><th></th><th></th></tr> </thead> </table>									(in thousands)									Common Stock			Additional Paid in Capital		Accumulated Other Comprehensive Income		Total Stockholders' Equity		Shares	Par Value Amount	Capital	Retained Deficit	Comprehensive Income	Total Stockholders' Equity			
(in thousands)																																			
Common Stock			Additional Paid in Capital		Accumulated Other Comprehensive Income		Total Stockholders' Equity																												
Shares	Par Value Amount	Capital	Retained Deficit	Comprehensive Income	Total Stockholders' Equity																														

Balances at December 31, 2022	20,782	\$	2	\$	105,856	\$	(59,344)	\$	1,489	\$	48,003
Shares issued upon restricted stock vesting and option exercise	167	—	—	315	—	—	—	—	—	—	315
Stock-based compensation expense	—	—	—	720	—	—	—	—	—	—	720
Employee stock purchase plan	41	—	—	243	—	—	—	—	—	—	243
Common stock repurchased as part of share repurchase program	(22)	—	—	—	(153)	—	—	—	—	—	(153)
Common stock repurchased to satisfy minimum statutory withholding on stock-based compensation	(37)	—	—	(324)	—	—	—	—	—	—	(324)
Other comprehensive loss	—	—	—	—	—	—	—	(219)	—	(219)	—
Net loss	—	—	—	—	(324)	—	—	—	—	—	(324)
Balances at March 31, 2023	20,931	\$	2	\$	106,810	\$	(59,821)	\$	1,270	\$	48,261
Balances at December 31, 2023	21,197	\$	2	\$	109,837	\$	(58,625)	\$	1,088	\$	52,302
Shares issued upon restricted stock vesting and option exercise	106	—	—	—	—	—	—	—	—	—	—
Stock-based compensation expense	—	—	—	1,057	—	—	—	—	—	—	1,057
Employee stock purchase plan	26	—	—	186	—	—	—	—	—	—	186
Common stock repurchased to satisfy minimum statutory withholding on stock-based compensation	(39)	—	—	(365)	—	—	—	—	—	—	(365)
Other comprehensive income	—	—	—	—	—	—	—	208	—	—	208
Net loss	—	—	—	—	(1,112)	—	—	—	—	—	(1,112)
Balances at March 31, 2024	21,290	\$	2	\$	110,715	\$	(59,737)	\$	1,296	\$	52,276

See accompanying notes to unaudited condensed consolidated financial statements.

INFUSYSTEM HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

Nine Months Ended September 30,				Three Months Ended March 31,			
(in thousands)	(in thousands)	2023	2022	(in thousands)	2024	2023	
OPERATING ACTIVITIES	OPERATING ACTIVITIES						
Net income (loss)		\$ 800	\$ (89)				
Adjustments to reconcile net income (loss) to net cash provided by operating activities:							
OPERATING ACTIVITIES							
Net loss							
Net loss							
Net loss					\$ (1,112)	\$ (324)	
Adjustments to reconcile net loss to net cash provided by operating activities:							
Provision for doubtful accounts							
Provision for doubtful accounts							

Provision for doubtful accounts	Provision for doubtful accounts	(122)	(84)		(130)	114
Depreciation	Depreciation	8,621	8,131	Depreciation	2,652	2,955
Loss on disposal of and reserve adjustments for medical equipment		1,278	1,450			
(Gain) loss on disposal of and reserve adjustments for medical equipment				(Gain) loss on disposal of and reserve adjustments for medical equipment	(43)	450
Gain on sale of medical equipment	Gain on sale of medical equipment	(1,990)	(1,348)	Gain on sale of medical equipment	(629)	(883)
Amortization of intangible assets	Amortization of intangible assets	743	2,125	Amortization of intangible assets	248	248
Amortization of deferred debt issuance costs	Amortization of deferred debt issuance costs	99	55	Amortization of deferred debt issuance costs	19	18
Stock-based compensation	Stock-based compensation	2,799	3,236	Stock-based compensation	1,057	720
Deferred income taxes	Deferred income taxes	325	(331)	Deferred income taxes	(186)	(302)
Changes in assets - (increase)/decrease:	Changes in assets - (increase)/decrease:					
Accounts receivable	Accounts receivable	(1,035)	(607)			
Accounts receivable					(237)	(961)
Inventories	Inventories	(1,270)	(922)	Inventories	153	(823)
Other current assets	Other current assets	(1,090)	224	Other current assets	(685)	(830)
Other assets	Other assets	(2,304)	(89)	Other assets	376	(846)
Changes in liabilities - (decrease)/increase:	Changes in liabilities - (decrease)/increase:					
Accounts payable and other liabilities	Accounts payable and other liabilities	(289)	1,200			
NET CASH PROVIDED BY OPERATING ACTIVITIES		6,565	12,951			
Accounts payable and other liabilities						
Accounts payable and other liabilities					(1,106)	313
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES						
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES					377	(151)
INVESTING ACTIVITIES	INVESTING ACTIVITIES					
Purchase of medical equipment						
Purchase of medical equipment						

Purchase of medical equipment	Purchase of medical equipment	(8,503)	(10,452)		(1,493)	(3,968)
Purchase of property and equipment	Purchase of property and equipment	(616)	(571)	Purchase of property and equipment	(182)	(317)
Proceeds from sale of medical equipment, property and equipment	Proceeds from sale of medical equipment, property and equipment	3,429	2,597	Proceeds from sale of medical equipment, property and equipment	1,257	1,234
NET CASH USED IN INVESTING ACTIVITIES	NET CASH USED IN INVESTING ACTIVITIES	(5,690)	(8,426)	NET CASH USED IN INVESTING ACTIVITIES	(418)	(3,051)
FINANCING ACTIVITIES	FINANCING ACTIVITIES					
Principal payments on long-term debt	Principal payments on long-term debt					
Principal payments on long-term debt	Principal payments on long-term debt	(43,160)	(31,089)		(15,258)	(13,683)
Cash proceeds from long-term debt	Cash proceeds from long-term debt	42,788	32,398	Cash proceeds from long-term debt	16,069	16,894
Debt issuance costs		(229)	—			
Cash payment of contingent consideration		—	(750)			
Common stock repurchased as part of share repurchase program						
Common stock repurchased as part of share repurchase program	Common stock repurchased as part of share repurchase program	(153)	(5,359)		—	(153)
Common stock repurchased to satisfy statutory withholding on employee stock-based compensation plans	Common stock repurchased to satisfy statutory withholding on employee stock-based compensation plans	(1,157)	(698)	Common stock repurchased to satisfy statutory withholding on employee stock-based compensation plans	(365)	(324)
Cash proceeds from stock plans		1,032	1,150			
Cash proceeds from exercise of options and ESPP				Cash proceeds from exercise of options and ESPP	186	559
NET CASH USED IN FINANCING ACTIVITIES	NET CASH PROVIDED BY FINANCING ACTIVITIES	(879)	(4,348)			

NET CASH PROVIDED BY FINANCING ACTIVITIES		
NET CASH PROVIDED BY FINANCING ACTIVITIES		
Net change in cash and cash equivalents		632
Net change in cash and cash equivalents		3,293
Net change in cash and cash equivalents	Net change in cash and cash equivalents	
Cash and cash equivalents, beginning of period	Cash and cash equivalents, beginning of period	591
Cash and cash equivalents, end of period	Cash and cash equivalents, end of period	91
Cash and cash equivalents, beginning of period		231
Cash and cash equivalents, end of period		165
Cash and cash equivalents, beginning of period		\$ 822
Cash and cash equivalents, end of period		\$ 256

See accompanying notes to unaudited condensed consolidated financial statements.

INFUSYSTEM HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation and Nature of Operations and Summary of Significant Accounting Policies

The terms "InfuSystem", the "Company", "we", "our" and "us" are used herein to refer to InfuSystem Holdings, Inc. and its subsidiaries. InfuSystem is a leading provider of infusion pumps and related products and services for patients in the home, oncology clinics, ambulatory surgery centers, and other sites of care. The Company provides products and services to hospitals, oncology practices and facilities and other alternative site health care providers. Headquartered in Rochester Hills, Michigan, the Company delivers local, field-based customer support, and also operates pump service and repair Centers of Excellence in Michigan, Kansas, California, Massachusetts, Texas and Ontario, Canada. The Company operates in two reportable segments, Patient Services and Device Solutions. During the **Second quarter of 2023, fiscal year ended December 31, 2023**, the Company **renamed its two operating segments. Prior to also operated through First Biomedical, Inc., a Kansas Corporation, which was a wholly-owned subsidiary that time, the Patient Services segment was known as Integrated Therapy Services and the Device Solutions segment was known as Durable Medical Equipment Services. The changes were for marketing purposes only and there were no changes to the operations of either segment, merged into InfuSystem, Inc. on January 1, 2024.**

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") for interim financial information. Accordingly, the unaudited condensed consolidated financial statements do not include all of the information and notes required by U.S. Generally Accepted Accounting Principles ("GAAP") for complete financial statements. The accompanying unaudited condensed consolidated financial statements include all adjustments, composed of normal recurring adjustments, considered necessary by management to fairly state the Company's results of operations, financial position and cash flows. The operating results for the interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023** as filed with the SEC on **March 16, 2023** **April 10, 2024**.

The unaudited condensed consolidated financial statements are prepared in conformity with GAAP, which requires the use of estimates, judgments and assumptions that affect the amounts of assets and liabilities at the reporting date and the amounts of revenue and expenses in the periods presented. The Company believes that the accounting estimates employed are appropriate and the resulting balances are reasonable; however, due to the inherent uncertainties in making estimates, actual results could differ from the original estimates, requiring adjustments to these balances in future periods.

2. Recent Accounting Pronouncements and Developments

In **June 2016, November 2023**, the Financial Accounting Standards Board ("FASB") ("FASB") issued Accounting Standards Update ("ASU") No. **2016-13, "Financial Instruments (Topic 326) Credit Losses". Topic 326 changes 2023-07, Segment Reporting (ASC 280): Improvements to Reportable Segment Disclosures. ASU 2023-07 expands the impairment model disclosure requirements for most financial assets and certain other instruments. reportable segments by requiring enhanced disclosures about significant segment expenses. Under the new standard, entities holding financial assets must disclose an amount for other segment items by reportable segment and net investment a description of its composition. The other segment items category is the difference between segment revenue less the significant expenses disclosed and each reported measure of segment profit or**

loss. Additionally, entities must disclose at least one measure of assessing segment performance and the title and position of the chief operating decision-maker ("CODM") and an explanation of how the CODM uses the reported measure(s) of segment profit or loss in leases that assessing segment performance. The amendments are not accounted effective for at fair value through net income annual periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The amendments are to be applied retrospectively to all prior periods presented in the financial statements. The Company is currently evaluating the impact of ASU 2023-07 on its consolidated financial statements and related disclosures.

In December 2023, the FASB issued Accounting Standards Update No. 2023-09, Income Taxes (ASC 740): Improvements to Income Tax Disclosures. ASU 2023-09 enhances existing income tax disclosures primarily through standardization and disaggregation of rate reconciliation categories and income taxes paid by jurisdiction. The amendments in this ASU require public entities to disclose a tabular tax rate reconciliation, using both percentages and currency, with specific categories. Public entities are also required to provide a qualitative description of the states and local jurisdictions that make up the majority of the effect of the state and local income tax category and the net amount expected to be collected. An allowance of income taxes paid, disaggregated by federal, state and foreign taxes and also disaggregated by individual jurisdictions. The amendments also remove certain disclosures that are no longer considered cost beneficial. The amendments are effective prospectively for credit losses will be a valuation account that will be deducted from annual periods beginning after December 15, 2024, and early adoption and retrospective application are permitted. The Company is currently evaluating the amortized cost basis impact of the financial asset to present the net carrying value at the amount expected to be collected on the financial asset. The Company's adoption of this standard on January 1, 2023 did not have a material effect ASU 2023-09 on its consolidated balance sheets, financial statements and related disclosures.

In March 2024, the SEC issued final rules on climate-related disclosures that will require annual disclosure of material climate-related risks and material direct greenhouse gas emissions from operations owned or controlled (Scope 1) and material indirect greenhouse gas emissions from purchased energy consumed in owned or controlled operations (Scope 2). Additionally, the rules require disclosure in the notes to the financial statements of operations, the effects of severe weather events and other natural conditions, subject to certain financial thresholds, as well as amounts related to carbon offsets and renewable energy credits or certificates. These rules also require disclosure of climate risk oversight practices of the Board of Directors and management, and the disclosure of governance, risk management and strategy related to material climate-related risks. In April 2024, the SEC voluntarily stayed the new rules pending the completion of judicial review. The disclosure requirements, if ultimately upheld as adopted, will begin phasing in for reports and registration statements including financial information with respect to annual periods beginning in our fiscal 2027. We are currently evaluating the impact of cash flows or related adoption of these final rules on our disclosures.

3. Revenue Recognition

The following table presents the Company's disaggregated revenue by offering type (in thousands):

	Three Months Ended September 30,			
	2023		2022	
	Total Net Revenues	Percentage of Total Net Revenues	Total Net Revenues	Percentage of Total Net Revenues
Patient Services Third-Party Payer Rentals	\$ 14,778	46.3 %	\$ 14,161	51.9 %
Device Solutions Direct Payer Rentals	4,648	14.6 %	4,589	16.8 %
Patient Services Direct Payer Rentals	3,358	10.5 %	3,212	11.8 %
Device Solutions Product Sales	3,591	11.3 %	3,560	13.1 %
Device Solutions - Service	4,381	13.7 %	1,755	6.4 %
Patient Services Product Sales	1,153	3.6 %	2	— %
Total	\$ 31,909	100.0 %	\$ 27,279	100.0 %

	Three Months Ended March 31,			
	2024		2023	
	Total Net Revenues	Percentage of Total Net Revenues	Total Net Revenues	Percentage of Total Net Revenues
Patient Services revenue recognized at a point in time:				
Direct products	\$ 615	1.9 %	\$ 579	1.9 %
Third-Party Payer products	1,872	5.9 %	3,408	11.2 %
Patient Services revenue recognized over time:				
Direct rental services	3,572	11.2 %	1,869	6.2 %
Third-Party Payer rental services	10,977	34.3 %	11,020	36.3 %
Total Patient Services accounted for under ASC 606	17,036	53.2 %	16,876	55.6 %

Device Solutions revenue recognized at a point in time:				
Products	4,213	13.2 %	3,740	12.3 %
Services	2,409	7.5 %	2,576	8.5 %
Device Solutions revenue recognized over time:				
Services	1,969	6.2 %	774	2.5 %
Total Device Solutions accounted for under ASC 606	8,591	26.9 %	7,090	23.3 %
Total Revenue Accounted for under ASC 606	25,627	80.1 %	23,966	78.9 %
Patient Services lease revenue	1,555	4.9 %	1,897	6.2 %
Device Solutions lease revenue	4,813	15.0 %	4,507	14.8 %
Total Revenue accounted for under ASC 842, Leases	6,368	19.9 %	6,404	21.1 %
Total Net Revenue	\$ 31,995	100.0 %	\$ 30,370	100.0 %

	Nine Months Ended September 30,			
	2023		2022	
	Total Net Revenues	Percentage of Total Net Revenues	Total Net Revenues	Percentage of Total Net Revenues
Patient Services Third-Party Payer Rentals	\$ 44,220	47.1 %	\$ 41,425	51.1 %
Device Solutions Direct Payer Rentals	13,746	14.6 %	14,004	17.3 %
Patient Services Direct Payer Rentals	10,186	10.8 %	9,741	12.0 %
Device Solutions Product Sales	11,194	11.9 %	10,873	13.4 %
Device Solutions - Service	11,692	12.4 %	4,946	6.1 %
Patient Services Product Sales	2,976	3.2 %	95	0.1 %
Total	\$ 94,014	100.0 %	\$ 81,084	100.0 %

Contract Balances

(dollars in thousands)	As of March 31, 2024	As of December 31, 2023	\$ Change
Accounts receivable, net	\$ 20,543	\$ 19,830	\$ 713
Contract assets	\$ 1,332	\$ 1,271	\$ 61

The change in contract assets during the three months ended March 31, 2024 was mainly due to \$2.9 million of revenue recognized for which the payment is subject to conditions other than the passage of time, partially offset by \$2.8 million of contract assets reclassified to accounts receivable as our right to consideration for these contract assets became unconditional. Contract assets are included in other current assets on the Company's Condensed Consolidated Balance Sheets.

4. Medical Equipment

Medical equipment consisted of the following (in thousands):

Medical equipment for sale or rental	Medical equipment for sale or rental	September		Medical equipment for sale or rental	\$ 4,113	\$ 3,081
		30, 2023	December 31, 2022			
		2023	2022			
Medical equipment for sale or rental	\$ 4,007	\$ 2,802	Medical equipment for sale or rental			

Medical equipment for sale or rental - pump reserve	(32)	(12)	Medical equipment for sale or rental - pump reserve	(29)	(32)
Medical equipment for sale or rental - net	3,975	2,790	Medical equipment for sale or rental - net	4,084	3,049
Medical equipment in equipment in rental service	101,019	99,163			
Medical equipment in rental service					
Medical equipment in equipment in rental service - pump reserve	(2,988)	(2,270)	Medical equipment in rental service - pump reserve	(2,033)	(2,126)
Accumulated depreciation	(62,753)	(57,443)	Accumulated depreciation	(61,022)	(59,244)
Medical equipment in equipment in rental service - net	35,278	39,450	Medical equipment in rental service - net	34,425	34,928
Total	\$ 39,253	\$ 42,240			
Total				\$ 38,509	\$ 37,977

Depreciation expense for medical equipment for the three and nine months ended September 30, 2023 March 31, 2024 was \$2.5 million and \$7.8 million, respectively, \$2.3 million compared to \$2.4 million and \$7.3 million \$2.7 million for the same prior year periods, period, respectively. This expense was recorded in "cost of revenues" for each period. The pump reserve for medical equipment in rental service represents an estimate for medical equipment that is considered to be missing. The reserve calculated is equal to the net book value of assets that have not returned from the field within a certain timeframe. For the three months ended March 31, 2024 and 2023, \$2.7 million and \$1.1 million of current liabilities related to non-cash purchases of medical equipment and property, respectively, had not been included in investing activities in the Condensed Consolidated Statements of Cash Flows. These amounts will be included as a cash outflow from investing activities when paid.

5. Property and Equipment

Property and equipment consisted of the following (in thousands):

	September 30, 2023			December 31, 2022			March 31, 2024			December 31, 2023		
	Gross Assets	Accumulated Depreciation	Total	Gross Assets	Accumulated Depreciation	Total	Gross Assets	Accumulated Depreciation	Total	Gross Assets	Accumulated Depreciation	Total
	Furniture, fixtures, and equipment	Furniture, fixtures, and equipment	\$ 6,298	\$ (3,779)	\$ 2,519	\$ 5,710	\$ (3,252)	\$ 2,458	Furniture, fixtures, and equipment	\$ 5,955	\$ (4,094)	\$ 1,861
Automobiles	Automobiles	87	(86)	1	87	(83)	4	Automobiles	87	(87)	—	87
Leasehold improvements	Leasehold improvements	3,570	(1,857)	1,713	3,498	(1,575)	1,923	Leasehold improvements	4,442	(2,072)	2,370	3,570
Total	Total	\$ 9,955	\$ (5,722)	\$ 4,233	\$ 9,295	\$ (4,910)	\$ 4,385		\$ 10,484	\$ (6,253)	\$ 4,231	\$ 10,268
Total												\$ (5,947)
Total												\$ 4,321

Depreciation expense for property and equipment for both the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 was \$0.3 million and \$0.8 million, respectively. This expense was recorded in "general and administrative expenses" for each period.

6. Goodwill & Intangible Assets

The changes in the carrying value of goodwill by segment for the nine three months ended September 30, 2023 March 31, 2024 are as follows (in thousands):

Device Solutions (a)		Device Solutions (a)	
Balance as of December 31, 2022	\$ 3,710		
Balance as of December 31, 2023		\$ 3,710	
Goodwill acquired	Goodwill acquired	— Goodwill acquired	—
Balance as of September 30, 2023	\$ 3,710		
Balance as of March 31, 2024		\$ 3,710	

(a) The Patient Services segment had no recorded goodwill during the reported periods.

(a) The Patient Services segment had no recorded goodwill during the reported periods.
(a) The Patient Services segment had no recorded goodwill during the reported periods.

The carrying amount and accumulated amortization of intangible assets consisted of the following (in thousands):

		September 30, 2023			December 31, 2022			March 31, 2024			December 31, 2023		
		Gross Assets	Accumulated Amortization	Net	Gross Assets	Accumulated Amortization	Net	Gross Assets	Accumulated Amortization	Net	Gross Assets	Accumulated Amortization	Net
		Nonamortizable intangible assets	Nonamortizable intangible assets	Trade names	Amortizable intangible assets	Amortizable intangible assets	Trade names	Nonamortizable intangible assets	Nonamortizable intangible assets	Trade names	Nonamortizable intangible assets	Nonamortizable intangible assets	Trade names
Nonamortizable intangible assets	Nonamortizable intangible assets							Nonamortizable intangible assets	Nonamortizable intangible assets				
Trade names	Trade names	\$ 2,000	\$ —	\$ 2,000	\$ 2,000	\$ —	\$ 2,000	Trade names	Trade names	\$ 2,000	\$ —	\$ 2,000	\$ 2,000
Amortizable intangible assets:	Amortizable intangible assets:							Amortizable intangible assets:	Amortizable intangible assets:				
Trade names	Trade names	23	(23)	—	23	(23)	—	Trade names	Trade names	23	(23)	—	23
Trade names	Trade names							Trade names	Trade names				
Physician and customer relationships	Physician and customer relationships	38,834	(34,119)	4,715	38,834	(33,594)	5,240	Physician and customer relationships	Physician and customer relationships	38,834	(34,470)	4,364	38,834
Non-competition agreements	Non-competition agreements	472	(232)	240	472	(161)	311	Non-competition agreements	Non-competition agreements	472	(279)	193	472

Unpatented technology	Unpatented technology	943	(359)	584	943	(258)	685	Unpatented technology	943	(426)	517	943
Software	Software	10,300	(10,145)	155	10,300	(10,100)	200	Software	10,300	(10,175)	125	10,300
Total nonamortizable and amortizable intangible assets	Total nonamortizable and amortizable intangible assets	\$52,572	\$ (44,878)	\$ 7,694	\$52,572	\$ (44,136)	\$ 8,436					
Total nonamortizable and amortizable intangible assets								\$52,572	\$ (45,373)	\$ 7,199	\$52,572	\$
Total nonamortizable and amortizable intangible assets												

Amortization expense for both the three and nine months ended September 30, 2023 March 31, 2024 and 2023 was \$0.2 million and \$0.7 million, respectively, compared to \$0.7 million and \$2.1 million, respectively, for the same prior year periods. \$0.2 million. This expense was recorded in "amortization of intangibles expenses" for each period.

Expected remaining annual amortization expense for the next five years for intangible assets recorded as of September 30, 2023 March 31, 2024 is as follows (in thousands):

	2023	2024	2025	2026	2027	2028 and thereafter	Total
Amortization expense	\$ 248	\$ 990	\$ 810	\$ 524	\$ 471	\$ 2,651	\$ 5,694

	2024	2025	2026	2027	2028	2029 and thereafter	Total
Amortization expense	\$ 743	\$ 810	\$ 525	\$ 471	\$ 348	\$ 2,302	\$ 5,199

7. Debt

On February 5, 2021, the Company entered into a Credit Agreement (the "2021 Credit Agreement") with JPMorgan Chase Bank, N.A., as administrative agent (the "Agent"), sole bookrunner and sole lead arranger, and the lenders party thereto.

The borrowers under the 2021 Credit Agreement are the Company, InfuSystem Holdings, USA, Inc. ("Holdings"), InfuSystem,

Inc. ("ISI"), First Biomedical, Inc. ("First Biomedical"), and IFC LLC ("IFC" and, collectively with the Company, Holdings, ISI and First Biomedical, its subsidiaries (collectively, the "Borrowers").

The 2021 Credit Agreement provides for a revolving credit facility (the "Revolving Facility") of \$75.0 million, that matures on February 5, 2026. The Revolving Facility may be increased by \$25.0 million, subject to certain conditions, including the consent of the Agent and obtaining necessary commitments. The lenders under the 2021 Credit Agreement may issue up to \$7.0 million in letters of credit subject to the satisfaction of certain conditions. On February 5, 2021, the Borrowers made an initial borrowing of \$30.0 million under the Revolving Facility. Proceeds from the loan, along with approximately \$8.2 million in cash, were used to repay all amounts due under the Company's then existing credit facility dated March 23, 2015 (the "2015 Credit Agreement").

The 2021 Credit Agreement has customary representations and warranties. The ability to borrow under the facility is subject to ongoing compliance with a number of customary affirmative and negative covenants, including limitations on indebtedness, liens, mergers, acquisitions, investments, asset sales, affiliate transactions and restricted payments, as well as financial covenants, including the following:

- a minimum fixed charge coverage ratio (defined as the ratio of consolidated EBITDA (as defined in the 2021 Credit Agreement) less 50% of depreciation expense), to consolidated fixed charges (as defined in the 2021 Credit Agreement) for the prior four most recently ended calendar quarters of 1.20 to 1.00; and
- a maximum leverage ratio (defined as total indebtedness to EBITDA for the prior four most recently ended calendar quarters) of 3.50 to 1.00.

The 2021 Credit Agreement includes customary events of default. The occurrence of an event of default will permit the lenders to terminate commitments to lend under the Revolving Facility and accelerate payment of all amounts outstanding thereunder.

Simultaneous with the execution of the 2021 Credit Agreement, the Company entered into a Pledge and Security Agreement to secure repayment of the obligations of the Borrowers. Under the Pledge and Security Agreement, each Borrower has granted to the Agent, for the benefit of various secured parties, a first priority security interest in substantially all of the personal property assets of each of the Borrowers, including the shares of each of Holdings, ISI and First Biomedical and the equity interests of IFC.

On April 26, 2023, the Company entered into a First Amendment to the 2021 Credit Agreement (the "First Amendment") with the Agent and the lenders party thereto, which amended the 2021 Credit Agreement, to provide for, among other things: (i) an extension of the maturity date for the 2021 Credit Agreement to April 26, 2028, (ii) the replacement of London Interbank Offered Rate ("LIBOR") with Adjusted Term Secured Overnight Financing Rate ("SOFR") as a benchmark interest rate, and (iii) an increase of the maximum dollar amount of incremental revolving loans from \$25 million to \$35 million. Incremental revolving loans continue to be subject to certain conditions, including the consent of the Agent and obtaining necessary commitments.

The 2021 Credit Agreement and First Amendment were accounted for as debt modifications. As of **September 30, 2023** **March 31, 2024**, the Company was in compliance with all debt-related covenants under the 2021 Credit Agreement, as amended.

The following table illustrates the net availability under the Revolving Facility as of the applicable balance sheet date (in thousands):

	September December		March 31, 2024	December 31, 2023
	30, 2023	31, 2022		
Revolving Facility:	Revolving Facility:			
Revolving Facility:				
Gross availability	Gross availability	\$ 75,000	\$ 75,000	\$ 75,000
Outstanding draws	Outstanding draws	(33,013)	(33,384)	(30,250)
Letter of credit	Letter of credit	(400)	(400)	(200)
Availability on Revolving Facility	Availability on Revolving Facility	\$ 41,587	\$ 41,216	\$ 44,550
	Availability on Revolving Facility			\$ 45,361

The Company had future maturities of its long-term debt as of **September 30, 2023** **March 31, 2024** as follows (in thousands):

	2027 and thereafter					Total	2024	2025	2026	2027	2028	Total
	2023	2024	2025	2026	thereafter							
Revolving Facility	Revolving Facility	\$ —	\$ —	\$ —	\$ —	\$ 33,013	\$33,013	Revolving Facility	\$ —	\$ —	\$ —	\$ 30,250
Total	Total	\$ —	\$ —	\$ —	\$ —	\$ 33,013	\$33,013	Total	\$ —	\$ —	\$ —	\$ 30,250
												\$ 30,250

The following is a breakdown of the Company's current and long-term debt (in thousands):

	September 30, 2023						December 31, 2022						March 31, 2024						December 31, 2023						
	Current Portion			Long-Term Portion			Current Portion			Long-Term Portion			Current Portion			Long-Term Portion			Current Portion			Long-Term Portion			
	Revolving Facility	Unamortized value of debt issuance costs	Unamortized value of debt issuance costs	Revolving Facility	Unamortized value of debt issuance costs	Unamortized value of debt issuance costs	Revolving Facility	Unamortized value of debt issuance costs	Unamortized value of debt issuance costs	Revolving Facility	Unamortized value of debt issuance costs	Unamortized value of debt issuance costs	Revolving Facility	Unamortized value of debt issuance costs	Unamortized value of debt issuance costs	Revolving Facility	Unamortized value of debt issuance costs	Unamortized value of debt issuance costs	Revolving Facility	Unamortized value of debt issuance costs	Unamortized value of debt issuance costs	Revolving Facility	Unamortized value of debt issuance costs	Unamortized value of debt issuance costs	
Revolving Facility	Revolving Facility	\$ —	\$ 33,013	\$ 33,013	\$ —	\$ 33,384	\$ 33,384	Revolving Facility	\$ —	\$ 30,250	\$ 30,250	\$ —	Revolving Facility	\$ —	\$ 30,250	\$ 30,250	\$ —	\$ 30,250	Revolving Facility	\$ —	\$ 30,250	\$ 30,250	Revolving Facility	\$ —	\$ 30,250
Unamortized value of debt issuance costs	Unamortized value of debt issuance costs	—	(358)	(358)	—	(227)	(227)	Unamortized value of debt issuance costs	—	(319)	—	—	Unamortized value of debt issuance costs	—	(319)	—	—	(338)	Unamortized value of debt issuance costs	—	(338)	Unamortized value of debt issuance costs	—	(338)	

Total	Total	\$ —	\$32,655	\$32,655	\$ —	\$33,157	\$33,157	Total	\$ —	\$29,931	\$29,931	\$ —	\$29,101	\$29,101
-------	-------	------	----------	----------	------	----------	----------	-------	------	----------	----------	------	----------	----------

As of **September 30, 2023**, **March 31, 2024**, amounts outstanding under the Revolving Facility provided under the 2021 Credit Agreement, as amended, bear interest at a variable rate equal to, at the Company's election, Adjusted Term SOFR for Term Benchmark loans or an Alternative Base Rate for ABR loans, as defined by the First Amendment, plus a spread that will vary depending upon the Company's leverage ratio. The spread ranges from 2.00% to 3.00% for Term Benchmark Loans and 1.00% to 2.00% for base rate loans. The weighted-average Term Benchmark loan rate at **September 30, 2023** **March 31, 2024** was **7.68%** **7.42%** (Adjusted Term SOFR of **5.43%** **5.42%** plus **2.25%** **2.00%**). The actual ABR loan rate at **September 30, 2023** **March 31, 2024** was **9.75%** **9.50%** (lender's prime rate of 8.50% plus **1.25%** **1.00%**).

8. Derivative Financial Instruments and Hedging Activities

In February 2021, the Company adopted a derivative investment policy, which provides guidelines and objectives related to managing financial and operational exposures arising from market changes in short term interest rates. In accordance with this policy, the Company can enter into interest rate swaps or similar instruments, will endeavor to evaluate all the risks inherent in a transaction before entering into a derivative financial instrument and will not enter into derivative financial instruments for speculative or trading purposes. Hedging relationships are formally documented at the inception of the hedge and hedges must be highly effective in offsetting changes to future cash flows on hedged transactions at the inception of a hedge and on an ongoing basis to be designated for hedge accounting treatment.

The Company is exposed to interest rate risk related to its variable rate debt obligations under the 2021 Credit Agreement. In order to manage the volatility in interest rate markets, in February 2021, the Company entered into two interest rate swap agreements to manage exposure arising from this risk. On a combined basis, the agreements had a constant notional amount over a five-year term that would have ended on February 5, 2026. While they were outstanding, each agreement paid the Company 30-day LIBOR on the notional amount and the Company paid a fixed rate of interest equal to 0.73%. These derivative instruments were considered cash flow hedges. On May 11, 2023, these two swaps were settled and a new swap was entered into with different terms that aligned with changes in the 2021 Credit Agreement arising from the First Amendment. The new swap has a constant notional amount over a five-year term that ends on April 26, 2028. The agreement pays the Company 30-day SOFR on the notional amount and the Company pays a fixed rate of interest equal to 1.74%. The Company does not have any other derivative financial instruments.

The fair values of the Company's derivative financial instruments are categorized as Level II of the fair value hierarchy as the values are derived using the market approach based on observable market inputs including quoted prices of similar instruments and interest rate forward curves.

The tables below present the location and gross fair value amounts of the Company's derivative financial instruments and the associated notional amounts designated as cash flow hedges as of the applicable balance sheet date (in thousands):

Derivatives designated as hedges:	Derivatives designated as hedges:	September 30, 2023			March 31, 2024		
		Balance Sheet		Fair Value Derivative Assets	Balance Sheet		Fair Value Derivative Assets
		Location	Notional	Assets	Location	Notional	Assets
Cash flow hedges	Cash flow hedges						
Cash flow hedges	Cash flow hedges						
Cash flow hedges	Cash flow hedges						
Interest rate swaps	Interest rate swaps						
Interest rate swaps	Interest rate swaps	Derivative financial instruments	\$ 20,000	\$ 2,165	Derivative financial instruments	\$ 20,000	\$ 1,716
Derivatives designated as hedges:	Derivatives designated as hedges:	December 31, 2022			December 31, 2023		
		Balance Sheet		Fair Value Derivative Assets	Balance Sheet		Fair Value Derivative Assets
		Location	Notional	Assets	Location	Notional	Assets

Cash flow hedges	Cash flow hedges			
Cash flow hedges				
Cash flow hedges				
Interest rate swaps				
Interest rate swaps				
Interest rate swaps	Interest rate swaps	Derivative financial instruments		
			\$ 20,000	\$ 1,965
		Derivative financial instruments		
			\$ 20,000	\$ 1,442

The table below presents the effect of our derivative financial instruments designated as hedging instruments in accumulated other comprehensive income ("AOCI") (in thousands):

	Three Months Ended September 30,	
	2023	2022
Gain on cash flow hedges - interest rate swaps		
Beginning balance	\$ 1,442	\$ 1,140
Unrealized gain recognized in AOCI	434	679
Amounts reclassified to interest expense (a)	(180)	(74)
Tax provision	(62)	(146)
Ending balance	\$ 1,634	\$ 1,599

(a) Negative amounts represent interest income. Interest expense as presented in the condensed consolidated statement of operations and comprehensive income for the three months ended September 30, 2023 and 2022 was \$0.6 million and \$0.4 million, respectively.

Nine Months Ended September 30, 2023 2022		Three Months Ended March 31, 2024 2023	
2024			
Gain on cash flow hedges - interest rate swaps			
Beginning balance	\$ 1,489	\$ 268	Beginning balance
Unrealized gain recognized in AOCI	754	1,802	
Unrealized gain (loss) recognized in AOCI			Unrealized gain (loss) recognized in AOCI
Amounts reclassified to interest expense (a) (b)	(554)	(48)	Amounts reclassified to interest expense (a) (b)
Tax provision	(55)	(423)	Tax (provision) benefit

Ending balance	Ending balance	Ending balance	\$ 1,634	\$ 1,599	\$ 1,296	\$ 1,270
					(a) Negative amounts represent interest income and positive amounts represent interest expense. Interest expense as presented in the condensed consolidated statement of operations and comprehensive loss for both the three months ended March 31, 2024 and 2023 was \$0.5 million.	(b) As of September 30, 2023, \$0.7 million of income is expected to be reclassified into earnings within the next 12 months.
					(a) Negative amounts represent interest income and positive amounts represent interest expense. Interest expense as presented in the condensed consolidated statement of operations and comprehensive loss for both the three months ended March 31, 2024 and 2023 was \$0.5 million.	
					(a) Negative amounts represent interest income and positive amounts represent interest expense. Interest expense as presented in the condensed consolidated statement of operations and comprehensive loss for both the three months ended March 31, 2024 and 2023 was \$0.5 million.	
					(b) As of March 31, 2024, \$0.6 million of income is expected to be reclassified into earnings within the next 12 months.	(b) As of March 31, 2024, \$0.6 million of income is expected to be reclassified into earnings within the next 12 months.

The Company did not incur any hedge ineffectiveness during the **nine** three months ended **September 30, 2023** **March 31, 2024**.

9. Income Taxes

During the **three** **and nine** months ended **September 30, 2023** **March 31, 2024**, the Company recorded a **provision for benefit from income taxes totaling \$0.2 million on pre-tax losses of \$0.4 million and \$0.3 million** **\$1.3 million**, respectively. The provision for income taxes for representing an effective tax rate of 14.3%. During the **nine** three months ended **September 30, 2023** relates principally to the Company's pre-tax income during the period and also includes a benefit from excess tax benefits on exercises of stock options and vesting of restricted stock during the period. For the **three** and **nine** months ended **September 30, 2022** **March 31, 2023**, the Company recorded a provision for income taxes of **\$0.1 million** and a benefit from income taxes totaling **\$0.3 million** on pre-tax losses of **\$0.3 million** **\$0.6 million**, respectively, representing an effective tax rate of 48.2%. These rates differed from the U.S. statutory rate mainly due to the effects of local, state and foreign jurisdiction income taxes, limitations on the deductions of certain expenses including meals and entertainment expense and management compensation and differences between expense recognized for book purposes versus tax purposes associated with equity compensation expense. The impact of permanent differences weighs heavier on the effective tax rate when pre-tax earnings are close to break even.

10. Commitments, Contingencies and Litigation

From time to time in the ordinary course of its business, the Company may be involved in legal and regulatory proceedings, the outcomes of which may not be determinable. The results of litigation and regulatory proceedings are inherently unpredictable. Any claims against the Company, whether meritorious or not, could be time consuming, result in costly litigation, require significant amounts of management time and result in diversion of significant resources. The Company is not able to estimate an aggregate amount or range of reasonably possible losses for those legal matters for which losses are not probable and estimable, primarily for the following reasons: (i) many of the relevant legal proceedings are in preliminary stages and, until such proceedings develop further, there is often uncertainty regarding the relevant facts and circumstances at issue and potential liability; and (ii)

many of these proceedings involve matters of which the outcomes are inherently difficult to predict. The Company has insurance policies covering potential losses where such coverage is cost effective.

The Company is not at this time involved in any proceedings that the Company currently believes could have a material effect on the Company's financial condition, results of operations or cash flows.

11. Earnings (Loss) Loss Per Share

Basic income (loss) loss per share is computed by dividing net income (loss) loss by the weighted average number of common shares outstanding during the period. Diluted income (loss) loss per share assumes the issuance of potentially dilutive shares of common stock during the period. The following table reconciles the numerators and denominators of the basic and diluted income (loss) loss per share computations:

	Three Months Ended March 31,	
	2024	2023
Numerator (in thousands):		
Net loss:	\$ (1,112)	\$ (324)
Denominator:		
Weighted average common shares outstanding:		
Basic	21,225,768	20,853,018
Dilutive effect of common stock equivalents	—	—
Diluted	21,225,768	20,853,018
Net loss per share:		
Basic	\$ (0.05)	\$ (0.02)
Diluted	\$ (0.05)	\$ (0.02)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Numerator (in thousands):				
Net income (loss):	\$ 689	\$ 443	\$ 800	\$ (89)
Denominator:				
Weighted average common shares outstanding:				
Basic	21,095,404	20,683,366	20,968,711	20,625,826
Dilutive effect of common stock equivalents	624,000	769,117	646,995	—
Diluted	21,719,404	21,452,483	21,615,706	20,625,826
Net income (loss) per share:				
Basic	\$ 0.03	\$ 0.02	\$ 0.04	\$ —
Diluted	\$ 0.03	\$ 0.02	\$ 0.04	\$ —

For the three and nine months ended September 30, 2023, there were 1,073,143 and 912,833, respectively, of outstanding options and unvested restricted stock units with an exercise price above the current market value of the Company's common stock that were not included in the calculation because they would have an anti-dilutive effect. For the three months ended September 30, 2022, there were 1,143,001 of outstanding options March 31, 2024 and unvested restricted stock units with an exercise price above the current market value of the Company's common stock that were not included in the calculation because they would have an anti-dilutive effect. For the nine months ended September 30, 2022, 2023, all outstanding options and unvested restricted stock units were anti-dilutive due to the Company's net losses for the period periods and therefore not included in the calculation calculations.

Share Repurchase Program

On June 30, 2021, our Board of Directors approved a stock repurchase program (the "Share Repurchase Program") that authorizes the Company to repurchase up to \$20.0 million of the Company's outstanding common stock through June 30, 2024. Repurchases under the Share Repurchase Program are subject to market conditions, the periodic capital needs of the Company's operating activities, and the continued satisfaction of all covenants under the Company's existing 2021 Credit Agreement, as amended. Repurchases under the Share Repurchase Program may take place in the open market or in privately negotiated transactions and may be made under a Rule 10b5-1 plan. The Share Repurchase Program does not obligate the Company to repurchase shares and may be suspended, terminated, or modified at any time at the discretion of the Board. As of September 30, 2023 March 31, 2024, the Company had repurchased and retired approximately \$6.2 million, or 553,149 shares, of the Company's outstanding common stock under the Share Repurchase Program.

12. Share-Based Compensation

The following tables summarize the activity during the period under the Company's 2014 Amended and Restated Stock Incentive Plan (the "2014 Plan") and 2021 Equity Incentive Plan (the "2021 Plan").

Restricted Stock Awards

	Number of shares	Weighted average grant date fair value
Unvested at December 31, 2023	529,862	\$ 11.42
Granted	88,499	9.09
Vested	(67,844)	17.44
Vested shares forgone to satisfy minimum statutory withholding	(38,656)	17.44
Forfeitures	(3,500)	13.25
Unvested at March 31, 2024	508,361	\$ 9.74

	Three Months Ended March 31,	
	2024	2023
Weighted average grant date fair value of awards granted	0	—
Total fair value of shares vested	\$ 641,823	\$ 273,994
Total fair value of shares forgone to satisfy minimum statutory withholding	\$ 365,697	\$ 167,251

Performance-Based Restricted Stock Units ("PSU")

For the three months ended March 31, 2024, there were no grants, vesting, or forfeitures of PSUs.

Stock Options

2014 Plan (Options)	Number of Authorized Shares	Weighted-Average Exercise Price	Remaining Contractual Term (in Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2023	657,346	\$ 6.69	4.16	\$ 2,983,514
Forfeitures and expirations	(500)	18.44	—	—
Outstanding at March 31, 2024	656,846	\$ 6.68	3.91	\$ 2,099,944
Exercisable at March 31, 2024	656,846	\$ 6.68	3.91	\$ 2,099,944

Aggregate Intrinsic Value = Excess of market value over the option exercise price of all in-the-money stock options.

2021 Plan (Options)	Number of Authorized Shares	Weighted-Average Exercise Price	Remaining Contractual Term (in Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2023	1,051,673	\$ 11.05	8.79	\$ 1,207,118
Granted	152,927	8.97	—	—
Forfeitures and expirations	(31,291)	9.73	—	—
Outstanding at March 31, 2024 (a)	1,173,309	\$ 10.81	8.71	\$ —
Exercisable at March 31, 2024 (a)	309,597	\$ 14.31	7.60	\$ —

(a) Aggregate Intrinsic Value - no exercisable options were in-the-money as of March 31, 2024

Aggregate Intrinsic Value = Excess of market value over the option exercise price of all in-the-money stock options.

The following is the average fair value per share estimated on the date of grant and the assumptions used for options granted:

	Three Months Ended March 31,	2024
Stock Options:		
Expected volatility	50% to 51%	
Risk free interest rate	4.25% to 4.28%	
Expected lives at date of grant (in years)	4.06	
Weighted average fair value of options granted	\$3.97	
Total intrinsic value of options exercised	\$ —	

For the three months ended March 31, 2023, the Company did not grant any options, and thus that time period is excluded from the table above.

13. Leases

As Lessee

The Company's operating leases are primarily for office space, service facility centers and equipment under operating lease arrangements that expire at various dates over the next ~~eight~~ seven years. The Company's leases do not contain any restrictive covenants. The Company's office leases generally contain renewal options for periods ranging from one to five years. Because the Company is not reasonably certain to exercise these renewal options, the options are not considered in determining the lease term, and payments associated with the option years are excluded from lease payments. The Company's office leases do not contain any material residual value guarantees. The Company's equipment leases generally do not contain renewal options.

Payments due under the Company's operating leases include fixed payments as well as variable payments. For the Company's office leases, variable payments include amounts for the Company's proportionate share of operating expenses, utilities, property taxes, insurance, common area maintenance and other facility-related expenses. For the Company's equipment leases, variable payments may consist of sales taxes, property taxes and other fees.

The components of lease costs for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 are as follows (in thousands):

	Three Months Ended September 30, 2023				Nine Months Ended September 30, 2023				Three Months Ended March 31, 2024		
	2023	2022	2023	2022					2024		2023
Operating lease cost	\$378	\$342	\$1,099	\$1,006							
Variable lease cost	97	77	260	231							
Total lease cost	\$475	\$419	\$1,359	\$1,237							

Supplemental cash flow information and non-cash activity related to the Company's leases are as follows (in thousands):

	Nine Months Ended September 30,				Three Months Ended March 31,			
	2023	2022			2024		2023	

Cash paid for amounts included in the measurement of lease liabilities and right of use assets:	Cash paid for amounts included in the measurement of lease liabilities and right of use assets:	
Operating cash flow from operating leases	Operating cash flow from operating leases	\$ 1,111 \$ 946
Right of use assets obtained in exchange for lease obligations:	Right of use assets obtained in exchange for lease obligations:	
Right of use assets obtained in exchange for lease obligations:	Right of use assets obtained in exchange for lease obligations:	
Operating leases	Operating leases	
Operating leases	Operating leases	\$ 586 \$ 18
Increases to right of use assets resulting from lease modifications:	Increases to right of use assets resulting from lease modifications:	
Increases to right of use assets resulting from lease modifications:	Increases to right of use assets resulting from lease modifications:	
Operating leases	Operating leases	\$ 552 \$ 1,050
Operating leases	Operating leases	

Weighted average remaining lease terms and discount rates for the Company's operating leases are as follows:

	As of September 30,		As of March 31,
	2023	2022	2024
	Years	Years	Years

Weighted average remaining lease term:	Weighted average remaining lease term:	5.7	6.9	Weighted average remaining lease term:	6.0	6.2
Weighted average discount rate:	Weighted average discount rate:	6.8%	7.1%	Weighted average discount rate:	7.8%	7.0%

Future maturities of lease liabilities as of **September 30, 2023** **March 31, 2024** are as follows (in thousands):

Operating Leases (a)		
2023	\$ 347	
2024		
2024		
2024	2024	1,396
2025	2025	1,310
2025		
2025		
2026		
2026	2026	1,115
2027	2027	929
2028 and thereafter		2,037
2027		
2027		
2028		
2028		
2029 and thereafter		
2029 and thereafter		
2029 and thereafter		
Total undiscounted lease payments		
Total undiscounted lease payments		
Total undiscounted lease payments	Total undiscounted lease payments	7,134
Less: Imputed interest	Less: Imputed interest	(2,316)
Less: Imputed interest		
Less: Imputed interest		
Total lease liabilities		
Total lease liabilities		
Total lease liabilities	Total lease liabilities	\$ 4,818

(a) Excludes \$1.8 million of legally binding minimum lease payments for an office lease signed but not yet commenced. This lease has an expected term of 7 years and is expected to commence in the first quarter of 2024.

The long-term portion of the lease liabilities included in the amounts above is \$5.3 million with the remainder included in other current liabilities in the Condensed Consolidated Balance Sheet.

As Lessor:

We lease medical equipment to customers, often in conjunction with arrangements to provide consumable medical products. Certain of our equipment leases are classified as sales-type leases and the remainder are operating leases. The terms of the related contracts, including the proportion of fixed versus variable payments and any options, varies by customer. The Company elected the "combining lease and non-lease components" practical expedient for all qualifying non-lease components.

The components of the Company's lease revenues consisted of the following (in thousands):

	Three Months Ended March 31,	
	2024	2023
Net operating lease revenue	\$ 6,111	\$ 5,910
Sales-type lease revenue	257	494
Total lease revenue	\$ 6,368	\$ 6,404

The components of our net investment in sales-type leases as of March 31, 2024 and December 31, 2023 were (in thousands):

	March 31, 2024	December 31, 2023
	\$ 2,531	\$ 2,583
Lease receivable	\$ 2,531	\$ 2,583
Net investment in leases	\$ 2,531	\$ 2,583

Our net investment in sales-type leases is classified as follows in the accompanying condensed consolidated balance sheets as of March 31, 2024 and December 31, 2023 were (in thousands):

	March 31, 2024	December 31, 2023
	\$ 1,061	\$ 1,067
Accounts receivable, net	\$ 1,061	\$ 1,067
Other assets	1,470	1,516
Total	\$ 2,531	\$ 2,583

Future maturities of sales-type leases as of March 31, 2024 are as follows (in thousands):

	Sales-Type Leases
2024	\$ 985
2025	1,292
2026	614
2027	12
2028	—
Thereafter	—
Total undiscounted lease payments	2,903
Less: Imputed interest	(372)
Total lease receivables	\$ 2,531

13.14. Business Segment Information

During the second quarter of 2023, the Company renamed its two operating segments. Prior to that time, the Patient Services segment was known as Integrated Therapy Services and the Device Solutions segment was known as Durable Medical Equipment Services. The changes were for marketing purposes only and there were no changes to the operations of either segment. The Company's reportable segments are organized based on service platforms, with the Patient Services segment reflecting higher margin rental revenues that generally include payments made by third-party and direct payers and the Device Solutions segment reflecting lower margin product sales, direct payer rental and

service revenues. Resources are allocated and performance is assessed for these segments by the Company's Chief Executive Officer, whom the Company has determined to be its chief operating decision-maker. The Company believes that reporting performance at the gross profit level is the best indicator of segment performance.

The financial information summarized below is presented by reportable segment for the three months ended **September 30, 2023** **March 31, 2024** and **2022: 2023**:

2024						
(in thousands)		Patient Services	Device Solutions	Corporate/ Eliminations	Total	
Net revenues - external	\$ 18,591	\$ 13,404	\$ —	\$ 31,995		
Net revenues - internal	—	1,713	(1,713)	—		
Total net revenues	18,591	15,117	(1,713)	31,995		
Gross profit	12,274	4,200	—	16,474		
Selling, general and administrative expenses				17,319		
Interest expense				(456)		
Other income				3		
Loss before income taxes				\$ (1,298)		
Total assets	\$ 57,996	\$ 44,854	\$ 2,000	\$ 104,850		
Purchases of medical equipment	\$ 350	\$ 1,143	—	\$ 1,493		
Depreciation and amortization of intangible assets	\$ 1,856	\$ 1,044	—	\$ 2,900		
2023						
(in thousands)		Patient Services	Device Solutions	Corporate/ Eliminations	Total	
Net revenues - external	\$ 18,774	\$ 11,596	\$ —	\$ 30,370		
Net revenues - internal	—	1,630	(1,630)	—		
Total net revenues	18,774	13,226	(1,630)	30,370		
Gross profit	11,541	3,409	—	14,950		
Selling, general and administrative expenses				15,057		
Interest expense				(484)		
Other expense				(35)		
Loss before income taxes				\$ (626)		
Total assets	\$ 62,769	\$ 37,492	\$ 2,000	\$ 102,261		
Purchases of medical equipment	\$ 2,673	\$ 1,295	—	\$ 3,968		
Depreciation and amortization of intangible assets	\$ 2,178	\$ 1,025	—	\$ 3,203		

2023						
(in thousands)		Patient Services	Device Solutions	Corporate/ Eliminations	Total	
Net revenues - external	\$ 19,289	\$ 12,620	\$ —	\$ 31,909		
Net revenues - internal	—	1,598	(1,598)	—		
Total net revenues	19,289	14,218	(1,598)	31,909		
Gross profit	11,837	4,409	—	16,246		

Selling, general and administrative expenses				14,549		14,549		
Interest expense				(563)		(563)		
Other expense				(14)		(14)		
Provision for income taxes				(431)		(431)		
Net income					\$	<u>689</u>		
Total assets	\$	57,838	\$	42,233	\$	2,000	\$	102,071
Purchases of medical equipment	\$	650	\$	859	\$	—	\$	1,509
Depreciation and amortization of intangible assets	\$	2,038	\$	1,030	\$	—	\$	3,068

2022						
(in thousands)	Patient Services	Device Solutions	Corporate/ Eliminations	Total		
Net revenues - external	\$ 17,375	\$ 9,904	\$ —	\$ 27,279		
Net revenues - internal	—	1,610	(1,610)	—		
Total net revenues	17,375	11,514	(1,610)	27,279		
Gross profit	11,400	4,819	—	16,219		
Selling, general and administrative expenses			15,276	15,276		
Interest expense			(385)	(385)		
Other expense			(11)	(11)		
Provision for income taxes			(104)	(104)		
Net income			\$ 443	\$ 443		
Total assets	\$ 61,735	\$ 35,246	\$ 2,000	\$ 98,981		
Purchases of medical equipment	\$ 2,088	\$ 1,695	—	\$ 3,783		
Depreciation and amortization of intangible assets	\$ 2,425	\$ 1,015	—	\$ 3,440		

The financial information summarized below is presented by reportable segment for the nine months ended September 30, 2023 and 2022:

2023						
(in thousands)	Patient Services	Device Solutions	Corporate/ Eliminations	Total		
Net revenues - external	\$ 57,382	\$ 36,632	\$ —	\$ 94,014		
Net revenues - internal	—	4,909	(4,909)	—		
Total net revenues	57,382	41,541	(4,909)	94,014		
Gross profit	35,223	13,005	—	48,228		
Selling, general and administrative expenses			45,390	45,390		
Interest expense			(1,667)	(1,667)		
Other expense			(47)	(47)		
Provision for income taxes			(324)	(324)		
Net income			\$ 800	\$ 800		
Total assets	\$ 57,838	\$ 42,233	\$ 2,000	\$ 102,071		

Purchases of medical equipment	\$ 4,862	\$ 3,641	\$ —	\$ 8,503
Depreciation and amortization of intangible assets	\$ 6,294	\$ 3,070	\$ —	\$ 9,364

2022		Patient Services	Device Solutions	Corporate/ Eliminations	Total
(in thousands)					
Net revenues - external	\$ 51,260	\$ 29,824	\$ —	\$ 81,084	
Net revenues - internal	—	4,860	(4,860)	—	
Total net revenues	51,260	34,684	(4,860)	81,084	
Gross profit	32,251	14,236	—	46,487	
Selling, general and administrative expenses			45,862	45,862	
Interest expense			(976)	(976)	
Other expense			(69)	(69)	
Benefit from income taxes			331	331	
Net loss			\$ (89)	\$ (89)	
Total assets	\$ 61,735	\$ 35,246	\$ 2,000	\$ 98,981	
Purchases of medical equipment	\$ 6,924	\$ 3,528	\$ —	\$ 10,452	
Depreciation and amortization of intangible assets	\$ 7,194	\$ 3,062	\$ —	\$ 10,256	

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The terms "InfuSystem", the "Company", "we", "our" and "us" used herein refer to InfuSystem Holdings, Inc. and its subsidiaries.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this quarterly report on Form 10-Q are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "should," "plan," "expect," "strategy," "future," "likely," variations of such words, and other similar expressions, as they relate to the Company, are intended to identify forward-looking statements. However, the absence of these words or similar expressions does not mean that a statement is not forward-looking. In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the Company is identifying certain factors that could cause actual results to differ, perhaps materially, from those indicated by these forward-looking statements. Those factors, risks and uncertainties include, but are not limited to, the effect of the coronavirus ("COVID-19") pandemic or any resurgence thereof on our business, potential changes in healthcare payer mix and overall healthcare reimbursement, including the Centers for Medicare and Medicaid Services ("CMS") competitive bidding and fee schedule reductions, sequestration, concentration of customers, increased focus on early detection of cancer, competitive treatments, dependency on Medicare Supplier Number, availability of chemotherapy drugs, global financial conditions and recessionary risks, rising inflation and interest rates, labor and supply chain disruptions, changes and enforcement of state and federal laws, natural forces, competition, dependency on suppliers, risks in acquisitions & joint ventures, U.S. Healthcare Reform, relationships with healthcare professionals and organizations, technological changes related to infusion therapy, the Company's ability to implement information technology improvements and to respond to technological changes, the ability of the Company to successfully integrate acquired businesses, dependency on key personnel, systemic pressures in the banking sector, including disruptions to credit markets, dependency on banking relations and the ability to comply with our credit facility covenants, the Company's ability to remediate its previously disclosed material weaknesses in internal control over financial reporting, and other risks associated with our common stock, as well as any litigation in which the Company may be involved from time to time; and other risk factors as discussed in the Company's annual report on Form 10-K for the year ended **December 31, 2022** December 31, 2023 filed on **March 16, 2023** April 10, 2024, this quarterly report on Form 10-Q and in other filings made by the Company from time to time with the Securities and Exchange Commission ("SEC"). Our annual report on Form 10-K is available on the SEC's EDGAR website at www.sec.gov, and a copy may also be obtained by contacting the Company. All forward-looking statements made in this Form 10-Q speak only as of the date of this report. We do not intend, and do not undertake any obligation, to update any forward-looking statements to reflect future events or circumstances after the date of such statements, except as required by law.

Overview

We are a leading national health care service provider, facilitating outpatient care for Durable Medical Equipment manufacturers and health care providers. We provide our products and services to hospitals, oncology practices, ambulatory surgery centers, and other alternate site health care providers. Our headquarters is in Rochester Hills, Michigan, and we operate our business from a total of seven locations in the United States and Canada. We deliver local, field-based customer support, and we operate pump service and repair Centers of Excellence in Michigan, Kansas, California, Massachusetts, Texas and Ontario, Canada. InfuSystem, Inc., a wholly-owned subsidiary of the Company, is

accredited by the Community Health Accreditation Partner (CHAP) while First Biomedical, Inc., a wholly-owned subsidiary of the Company, is. We are also ISO 9001 certified at our Kansas, Michigan, Massachusetts, Canada and Santa Fe Springs, California locations and also ISO 13485 certified at our Bakersfield, California location. During the fiscal year ended December 31, 2023, the Company also operated through First Biomedical, Inc., a Kansas Corporation, which was a wholly-owned subsidiary that merged into InfuSystem, Inc. on January 1, 2024.

InfuSystem competes for and retains its business primarily on the basis of its long participation and strong reputation in the Durable Medical Equipment space, its long-standing relationships with Durable Medical Equipment manufacturers and its health care provider customers, and the high levels of service it provides. Current barriers to entry for potential competitors are created by our: (i) growing number of third-party payer networks under contract; (ii) economies of scale, which allow for predictable reimbursement and less costly purchase and management of the pumps, respectively; (iii) established, long-standing relationships as a provider of pumps to outpatient oncology practices in the U.S. and Canada; (iv) pump fleet of ambulatory and large volume infusion pumps for rent and for sale, which may allow us to be more responsive to the needs of physicians, outpatient oncology practices, hospitals, outpatient surgery centers, homecare practices, patient rehabilitation centers and patients than a new market entrant; (v) seven geographic locations in the U.S. and Canada that allow for same day or next day delivery of pumps; and (vi) pump repair and service capabilities at all of these facilities and at our customer's locations. We do not perform any research and development on pumps, but we have made, and continue to make, investments in our information technology applications.

During the second quarter of 2023, the Company renamed its two operating segments. Prior to that time, the Patient Services segment was known as Integrated Therapy Services and the Device Solutions segment was known as Durable Medical Equipment Services. The changes were for marketing purposes only and there were no changes to the operations of either segment.

Patient Services Segment

Our Patient Services segment's core purpose is to seek opportunities to grow our business by leveraging our unique know-how in clinic-to-home health care involving Durable Medical Equipment, our logistics and billing capabilities, our growing network of third-party payers under contract, and our clinical and biomedical capabilities. This leverage may take the form of new products and/or services, strategic alliances, joint ventures and/or acquisitions. The leading service within our Patient Services segment is to supply electronic ambulatory infusion pumps and associated disposable supply kits to private oncology clinics, infusion clinics and hospital outpatient oncology clinics to be utilized in the treatment of a variety of cancers, including colorectal cancer and other disease states ("Oncology Business"). Colorectal cancer is the fourth most prevalent form of cancer in the United States, according to the American Cancer Society, and the standard of care for the treatment of colorectal cancer relies upon continuous chemotherapy infusions delivered via ambulatory infusion pumps. One of the goals for the Patient Services segment is to expand into treatment of other types of cancers. There are a number of approved treatment protocols for pancreatic, head and neck, esophageal and other types of cancers, as well as other disease states that present opportunities for growth. There are also a number of other drugs currently approved by the U.S. Food and Drug Administration (the "FDA"), as well as agents in the pharmaceutical development pipeline, which we believe could potentially be used with continuous infusion protocols for the treatment of diseases other than colorectal cancer. Additional drugs or protocols currently in clinical trials may also obtain regulatory approval over the next several years. If these new drugs or protocols obtain regulatory approval for use with continuous infusion protocols, we expect the pharmaceutical companies to focus their sales and marketing efforts on promoting the new drugs and protocols to physicians, which could benefit us.

Furthermore, our Oncology Business focuses mainly on the continuous infusion of chemotherapy. Continuous infusion of chemotherapy can be described as the gradual administration of a drug via a small, lightweight, portable infusion pump over a prolonged period of time. A cancer patient can receive his or her medicine anywhere from one to 30 days per month depending on the chemotherapy regimen that is most appropriate to that individual's health status and disease state. This may be followed by periods of rest and then repeated cycles with treatment goals of progression-free disease survival. This drug administration method has replaced intravenous push or bolus administration in specific circumstances. The advantages of slow continuous low doses of certain drugs are well documented. Clinical studies support the use of continuous infusion chemotherapy for decreased toxicity without loss of anti-tumor efficacy. The 2015 National Comprehensive Cancer Network ("NCCN") Guidelines recommend the use of continuous infusion for treatment of numerous cancer diagnoses. We believe that the growth of continuous infusion therapy is driven by three factors: (i) evidence of improved clinical outcomes; (ii) lower toxicity and side effects; and (iii) a favorable reimbursement environment.

We believe that oncology practitioners have a heightened sensitivity to providing quality service and to their ability to obtain reimbursement for services they provide. Simultaneously, the Center for Medicare and Medicaid Services and private insurers are increasingly focused on evidence-based medicine to inform their reimbursement decisions — that is, aligning reimbursement with clinical outcomes and adherence to standards of care. Continuous infusion therapy is a main component of the standard of care for certain types of cancers because clinical evidence demonstrates superior outcomes. Payers' recognition of this benefit is reflected in their relative reimbursement policies for clinical services related to the delivery of this care.

Additional areas of focus for our Patient Services segment are as follows:

- Pain Management – providing our ambulatory pumps, products, and services for pain management in the area of post-surgical continuous peripheral nerve block.
- Wound Care – launched in November 2022, the Company established a partnership, SI Wound Care, LLC ("SI Wound Care"), with Sanara MedTech Inc. "Sanara". The partnership will focus on delivering a complete wound care solution targeted at improving patient outcomes, lowering the cost of care, and increasing patient and provider satisfaction. The partnership is expected to enable InfuSystem to offer innovative products including negative pressure wound therapy ("NPWT") devices and supplies from Cork Medical LLC's ("Cork") and Genadyne Biotechnologies Inc. and Sanara's advanced wound care product line to new customers through the jointly controlled entity.
- Acquisitions – we believe there are opportunities to acquire smaller, regional health care service providers, in whole or part that perform similar services to us but do not have the national market access, network of third-party payer contracts or operating economies of scale that we currently enjoy. We may also pursue acquisition

opportunities of companies that perform similar services, but offer different therapies or utilize different devices.

- Information technology-based services - we also plan to continue to capitalize on key new information technology-based services such as EXPRESS, InfuBus or InfuConnect, Pump Portal, DeviceHub and BlockPain Dashboard®.

The payer environment within our Patient Services segment is in a constant state of change. We continue to extend our considerable breadth of payer networks under contract as patients move into different insurance coverage plans, including Medicaid and Insurance Marketplace products. In some cases, this may slightly reduce our aggregate billed revenues payment rate but result in an overall increase in collected revenues, due to a reduction in concessions. Consequently, we are increasingly focused on revenues net of concessions.

Device Solutions Segment

Our Device Solutions segment's core service is to: (i) sell or rent new and pre-owned pole-mounted and ambulatory infusion pumps and other Durable Medical Equipment; (ii) sell treatment-related consumables; and (iii) provide biomedical maintenance services on medical equipment that include recertification, annual preventative maintenance and repair services for oncology practices as well as other alternate site settings, including, home care and home infusion providers, skilled nursing facilities, pain centers and others. We provide biomedical services at both our facilities and at our customers' locations. We also provide these products and services to customers in the hospital market. We purchase new and pre-owned pole-mounted and ambulatory infusion pumps from a variety of sources on a non-exclusive basis. We repair, refurbish and provide biomedical certification for the devices as needed. The pumps are then available for sale, rental or to be used within our ambulatory infusion pump management service.

InfuSystem Holdings, Inc. Results of Operations for the Three Months Ended **September 30, 2023** **March 31, 2024** Compared to the Three Months Ended **September 30, 2022** **March 31, 2023**

The following represents the Company's results of operations for the three months ended **September 30, 2023** **March 31, 2024** and **2022**:

	Three Months Ended September 30,			Three Months Ended March 31,		
	2023	2022	Better (Worse)	2024	2023	Better/ (Worse)
(in thousands, except share and per share data)	(in thousands, except share and per share data)					
Net revenues:	Net revenues:			Net revenues:		
Patient Services	Patient Services	\$ 19,289	\$ 17,375	\$ 1,914		
Device Solutions (inclusive of inter-segment revenues)		14,218	11,514	2,704		
Less: elimination of inter-segment revenues		(1,598)	(1,610)	12		
Device Solutions						
Less: elimination of inter-segment revenues (a)						
Total Device Solutions						
Total	Total	31,909	27,279	4,630		
Gross profit (inclusive of certain inter-segment allocations) (a):						
Gross profit:						
Patient Services						
Patient Services	Patient Services	11,837	11,400	437		
Device Solutions	Device Solutions	4,409	4,819	(410)		
Total	Total	16,246	16,219	27		

Selling, general and administrative expenses				
Provision for doubtful accounts	(169)	(90)	79	
Selling, general and administrative expenses:				
Selling, general and administrative expenses:				
Selling, general and administrative expenses:				
Amortization of intangibles				
Amortization of intangibles				
Amortization of intangibles	Amortization of intangibles	248	704	456
Selling and marketing	Selling and marketing	2,728	2,894	166
General and administrative	General and administrative	11,742	11,768	26
Total selling, general and administrative expenses	Total selling, general and administrative expenses	14,549	15,276	727
Operating income		1,697	943	754
Operating loss				
Operating loss				
Operating loss				
Other expense	Other expense	(577)	(396)	(181)
Other expense				
Other expense				
Income before income taxes		1,120	547	573
Provision for income taxes		(431)	(104)	(327)
Loss before income taxes				
Loss before income taxes				
Loss before income taxes				
Benefit from income taxes				
Net income	\$ 689	\$ 443	\$ 246	
Net loss				
Net loss				
Net loss				
Net income per share:				
Net loss per share:				
Net loss per share:				
Net loss per share:				
Basic				
Basic				
Basic	Basic	\$ 0.03	\$ 0.02	\$ 0.01
Diluted	Diluted	\$ 0.03	\$ 0.02	\$ 0.01
Weighted average shares outstanding:	Weighted average shares outstanding:			
Basic	Basic	21,095,404	20,683,366	412,038
Basic				
Basic				
Diluted	Diluted	21,719,404	21,452,483	266,921

(a) Inter-segment allocations are for cleaning and repair services performed on medical equipment.

(a) Inter-segment allocations are for cleaning and repair services performed on medical equipment.

(a) Inter-segment allocations are for cleaning and repair services performed on medical equipment.

Net Revenues

Net revenues for the quarter three-month period ended September 30, 2023 March 31, 2024 ("third quarter three-month period of 2023" 2024) were \$31.9 million \$32.0 million, an increase of \$4.6 million \$1.6 million, or 17.0% 5.4%, compared to \$27.3 million \$30.4 million for the quarter three-month period ended September 30, 2022 March 31, 2023 ("third quarter three-month period of 2022" 2023). The increase included higher net revenues for both the Device Solutions segment offset partially by lower revenue for the Patient Services and Device Solutions segments. segment.

Patient Services

Patient Services net revenue of \$19.3 million increased \$1.9 million \$18.6 million decreased \$0.2 million, or 11.0% 1.0%, during the third quarter three-month period of 2023 2024 compared to the same prior year period. This increase decrease was primarily attributable to additional treatment volume in the Oncology Business, decreased third-party payer collections on billings totaling approximately \$0.5 million and lower revenue from sales-type leases of NPWT pumps, improved third-party payer collections on billings and higher average prices. The largest net revenue improvement came from Wound Care, which increased decreased by \$1.1 million \$0.3 million, or 693%, compared both of which had tough comparisons to the same strong prior year period, mainly due to increased sales of equipment on sales-type leases, amounts. These decreases were partially offset by lower higher treatment volumes. Net revenue volume in the both Oncology Business for the third quarter of 2023 increased by \$0.8 million, or 5.2%, compared to the same prior year period, and Wound Care.

Device Solutions

Device Solutions net revenue of \$12.6 million (exclusive of inter-segment revenues) \$13.4 million increased \$2.7 million \$1.8 million, or 27.4% 15.6%, during the third quarter three-month period of 2023 2024 compared to the same prior year period. This increase included higher biomedical services revenue, which increased by \$2.6 million \$1.0 million, or 150% 31%, higher sales of medical equipment, which increased by \$0.6 million, or 40% and higher rental equipment revenue, which increased by \$0.3 million, compared to the same prior year period. These increases were partially offset by lower sales of disposable medical supplies which decreased by \$0.1 million. The increased biomedical revenue was mainly attributable to increased revenue from the master services agreement that we entered into with a leading global healthcare technology and diagnostic company in April 2022.

Gross Profit (inclusive of certain inter-segment allocations)

Gross profit of \$16.5 million for the third quarter three-month period of 2023 2024 increased \$1.5 million, or 10.2%, from \$15.0 million for the three-month period of \$16.2 million increased slightly compared 2023. This increase was due to the third quarter of 2022. The impact from the increase in net revenue was offset by a lower higher gross profit percentage of net revenue ("gross margin"). margin. Gross margin was 50.9% increased to 51.5% during the third quarter three-month period of 2023 2024 compared to 59.5% 49.2% during the same prior year period, a decrease of 8.5%. Gross profit increased period. This increase was due to increases in gross margin for both the Patient Services segment but was lower in the and Device Solutions segment. Gross margin decreased in both operating segments.

Patient Services

Patient Services gross profit was \$11.8 million \$12.3 million during the third quarter three-month period of 2023, 2024, representing an increase of \$0.4 million \$0.7 million, or 6.4%, compared to the same prior year period. The increase improvement reflected the higher net revenue partially offset by lower gross margin, which decreased increased from the prior year by 4.2% 4.5% to 61.4% 66.0%. The decrease in higher gross margin reflected higher pump disposal expenses and an unfavorable was the result of a change in product mix favoring lower higher margin revenues. These impacts improvements were partially offset by improved coverage of fixed costs from higher net revenue. Pump disposal expenses, which include retirements of damaged pumps and reserves for missing pumps, increased by \$0.2 million during the third quarter of 2023 compared to the prior year period, lower third-party payer collections on billings. The unfavorable favorable gross margin mix was mainly related to the increase decrease in revenue related to NPWT equipment leases, which have a lower average gross margin than other Patient Services revenue categories.

Device Solutions

Device Solutions gross profit during the third quarter three-month period of 2023 2024 was \$4.4 million \$4.2 million, representing a decrease increase of \$0.4 million \$0.8 million, or 8.5% 23.2%, compared to the same prior year year period. This decrease increase was due to a decrease the higher net revenue and due to an increase in gross margin, partially offset by higher net revenue. margin. The Device Solutions gross margin was 34.9% 31.3% during the current quarter, period, which was 13.7% lower 1.9% higher than the same prior year period. This decrease increase was due to an improvement in the absorption of direct expenses for the master services agreement launched during 2022 and accelerated during the first quarter of 2023. During the first quarter of 2023, the Company experienced an increase in labor costs related to an increase in the number of biomedical technicians and other expenses associated with the rapid on-boarding of the master services agreement described above. agreement. Some of the additional labor costs include included training activities and other labor expenses associated with building a larger team in order to have the capacity required to support much higher planned revenue volume. Over time, higher revenue levels are expected have begun to absorb a portion of the these increased labor costs and result resulting in an improved gross margin. Other increased expenses associated with the on-boarding ramp, which include increased travel expenses and employee acquisitions costs, are expected to decrease in the future. We currently estimate that the additional expenses incurred during the third quarter of 2023 that further gross margin improvements will either be absorbed or reduced totaled approximately \$1.2 million. gained as cost reduction and productivity improvement activities continue to be developed and deployed.

Selling and Marketing Expenses

Selling and marketing expenses were \$2.7 million for the third quarter three-month period of 2023, 2024 were \$3.4 million, representing a decrease an increase of \$0.2 million, or 5.7% 4.7%, compared to selling and marketing expenses for the prior year three-month period of 2023. Selling and marketing expenses as a percentage of net revenues decreased to 8.5% compared to 10.6% in the prior year period. This decrease reflected a reduction in sales team members and improved coverage of fixed costs from higher net revenues. The selling and marketing expenses during these periods consisted of sales personnel salaries, commissions and associated fringe benefit and payroll-related items, marketing, travel and entertainment and other miscellaneous expenses. Selling and marketing expenses as a percentage of net revenues was 10.6% for both the current and prior year periods.

General and Administrative Expenses

General and administrative ("G&A") &A expenses for the third quarter three-month period of 2023 2024 were \$11.7 million \$13.7 million, a decrease an increase of 0.2% \$2.1 million, or 18.2%, from \$11.8 million for the third quarter three-month period of 2022 2023. G&A expenses during these periods consisted primarily of accounting, administrative, third-party payer billing and contract services, customer service, nurses on staff, new product services, service center personnel salaries, fringe benefits and other payroll-related items, professional fees, legal fees, stock-based compensation, insurance and other miscellaneous items. Additionally, the amount for 2024 included a one-time \$0.6 million payment to a former member of the board of directors related to a Cooperation Agreement and a one-time payment to the Company's former audit firm for services related to their consent to include their prior year audit report in our 2023 annual report totaling \$0.3 million. The remaining increase of \$1.2 million included timing-related higher management incentive compensation and stock-based compensation expenses of \$0.4 million and \$0.3 million, respectively, and other increased expenses totaling \$0.5 million. The other increases were associated with revenue volume growth including the cost of additional personnel, information technology and general business expenses and included inflationary increases. G&A expenses as a percentage of net revenues for the third quarter three-month period of 2023 decreased 2024 increased to 36.8% 42.8% compared to 43.1% 38.1% for the same prior year period, mainly reflecting improved net revenue leverage over fixed costs period.

Other Expenses

During the third quarter three-month period of 2023, 2024, other income and expense included interest expense of \$0.6 million \$0.5 million, which was \$0.2 million higher slightly lower than interest expense for the third quarter three-month period of 2022. Interest expense includes interest and other fees paid 2023. This decrease was due to a decrease in relation to outstanding borrowings under on the 2021 Credit Agreement, as amended, (defined below) revolving line of credit partially offset by amounts received on interest rate swap derivatives. The increase resulted from higher weighted-average interest rates and higher average outstanding debt balances during the third quarter of 2023 compared to the third quarter of 2022, partially offset by lower commitment fees on a lower unused revolving line availability interest rates.

Provision For Benefit From Income Taxes

During the third quarter three-month period of 2023, 2024, the Company recorded a provision for benefit from income taxes totaling \$0.4 million \$0.2 million on pre-tax income losses of \$1.1 million \$1.3 million, representing an effective tax rate of 38% 14.3%. During the third quarter three-month period of 2022, 2023, the Company recorded a provision for benefit from income taxes totaling \$0.3 million on pre-tax losses of \$0.1 million on a pre-tax income of \$0.5 million \$0.6 million, representing an effective tax rate of 19% 48.2%. The effective tax These rates for these periods differed from the U.S. statutory rate mainly due to the effects of local, state and foreign jurisdiction income taxes, and limitations on the deductions of certain permanent differences in expenses recognized for tax purposes, such as non-deductible including meals and entertainment. The impact of permanent differences weigh heavier on the effective tax rate when pre-tax earnings are close to break even.

InfuSystem Holdings, Inc. Results of Operations for the Nine Months Ended September 30, 2023 Compared to the Nine Months Ended September 30, 2022

The following represents the Company's results of operations for the nine months ended September 30, 2023 entertainment expense and 2022:

<u>(in thousands, except share and per share data)</u>	Nine Months Ended		<u>Better/ (Worse)</u>
	2023	2022	
Net revenues:			
Patient Services	\$ 57,382	\$ 51,260	\$ 6,122
Device Solutions (inclusive of inter-segment revenues)	41,541	34,684	6,857
Less: elimination of inter-segment revenues	(4,909)	(4,860)	(49)
Total	94,014	81,084	12,930
Gross profit (inclusive of certain inter-segment allocations) (a):			
Patient Services	35,223	32,251	2,972

Device Solutions	13,005	14,236	(1,231)
Total	48,228	46,487	1,741
Selling, general and administrative expenses			
Provision for doubtful accounts	(122)	(84)	38
Amortization of intangibles	743	2,125	1,382
Selling and marketing	8,937	9,296	359
General and administrative	35,832	34,525	(1,307)
Total selling, general and administrative expenses	45,390	45,862	472
Operating income	2,838	625	2,213
Other expense	(1,714)	(1,045)	(669)
Income (loss) before income taxes	1,124	(420)	1,544
(Provision for) benefit from income taxes	(324)	331	(655)
Net income (loss)	\$ 800	\$ (89)	\$ 889
Net income (loss) per share:			
Basic	\$ 0.04	\$ —	\$ 0.04
Diluted	\$ 0.04	\$ —	\$ 0.04
Weighted average shares outstanding:			
Basic	20,968,711	20,625,826	342,885
Diluted	21,615,706	20,625,826	989,880

(a) Inter-segment allocations are for cleaning and repair services performed on medical equipment.

Net Revenues

Net revenues for the nine-month period ended September 30, 2023 ("nine-month period of 2023") were \$94.0 million, an increase of \$12.9 million, or 15.9%, compared to \$81.1 million for the nine-month period ended September 30, 2022 ("nine-month period of 2022"). The increase included higher net revenues for both the Patient Services management compensation and Device Solutions segments.

Patient Services

Patient Services net revenue of \$57.4 million increased \$6.1 million, or 11.9%, during the nine-month period of 2023 compared to the same prior year period. This increase was primarily attributable to additional treatment volume in the Oncology Business and Pain Management, revenue from sales-type leases of NPWT pumps, improved third-party payer collections on billings and higher average prices. Net revenue in Oncology for the nine-month period of 2023 represented the largest increase, totaling \$3.4 million, or a 7.2% increase, compared to the same prior year period. This was followed by an increase in revenue for Wound Care, which increased by \$2.6 million, or 305%, compared to the same prior year period, mainly due to an increase in sales of equipment on sales-type leases, partially offset by lower treatment volumes. Pain Management net revenue during the nine-month period of 2023 increased by \$0.2 million, which represented an increase of 7.2% compared to the nine-month period of 2022.

Device Solutions

Device Solutions net revenue of \$36.6 million (exclusive of inter-segment revenues) increased \$6.8 million, or 22.8%, during the nine-month period of 2023 compared to the same prior year period. This increase included higher biomedical services revenue, which increased by \$6.7 million, or 136%, and higher sales of medical equipment, which increased by \$0.6 million, or 16%, compared to the same prior year period. These increases were partially offset by lower sales of disposable medical supplies and lower equipment rentals, which, on a combined basis, decreased by \$0.7 million. The increased biomedical revenue was mainly attributable to increased revenue from the master services agreement that we entered into in April 2022 described above.

Gross Profit (inclusive of certain inter-segment allocations)

Gross profit of \$48.2 million for the nine-month period of 2023 increased \$1.7 million, or 3.7%, from \$46.5 million for the nine-month period of 2022. This increase was due to the increase in net revenues offset by a lower gross margin. Gross margin decreased to 51.3% during the nine-month period of 2023 compared to 57.3% during the same prior year period. This decrease was due to a decrease in gross margin for both the Patient Services and Device Solutions segments.

Patient Services

Patient Services gross profit was \$35.2 million during the nine-month period of 2023, representing an increase of \$3.0 million, or 9.2%, compared to the same prior year period. The improvement reflected an increase in net revenue, partially offset by a lower gross margin, which decreased from the prior year by 1.5% to 61.4%. The lower gross margin was the result of an unfavorable product mix favoring lower margin revenues partially offset by improved third-party payer collections on billings and improved coverage of fixed costs from the higher net revenue. The unfavorable gross margin mix was mainly related to the increase in revenue related to NPWT equipment leases, which have a lower average gross margin than other Patient Services revenue categories.

Device Solutions

Device Solutions gross profit during the nine-month period of 2023 was \$13.0 million, representing a decrease of \$1.2 million, or 8.6%, compared to the same prior year period. This decrease was due to a decrease in gross margin, which was partially offset by higher net revenue. The Device Solutions gross margin was 35.5% during the current period, which was 12.2% lower than the same prior year period. This decrease was due to an increase in labor costs related to an increase in the number of biomedical technicians and other expenses associated with the rapid on-boarding of the master services agreement described above. Some of the additional labor costs include training activities and other labor expenses associated with building a larger team in order to have the capacity required to support much higher planned revenue volume. Over time, higher revenue levels are expected to absorb a portion of the increased labor costs resulting in an improved gross margin. Other increased expenses associated with the on-boarding ramp, which include increased travel expenses and employee acquisitions costs, are expected to decrease in the future. We currently estimate that the additional expenses incurred during the nine-month period of 2023 that will either be absorbed or reduced totaled approximately \$3.5 million.

Selling and Marketing Expenses

Selling and marketing expenses for the nine-month period of 2023 were \$8.9 million, representing a decrease of \$0.4 million, or 3.9%, compared to selling and marketing expenses for the nine-month period of 2022. Selling and marketing expenses consist of sales personnel salaries, commissions and associated fringe benefit and payroll-related items, marketing, travel and entertainment and other miscellaneous expenses. Selling and marketing expenses as a percentage of net revenues decreased to 9.5% compared to 11.5% in the same prior year period. This decrease was mainly attributable to a reduction in sales team members and a higher coverage of fixed expenses related to the higher revenue.

General and Administrative Expenses

G&A expenses for the nine-month period of 2023 were \$35.8 million, an increase of \$1.3 million, or 3.8%, from the nine-month period of 2022. G&A expenses during these periods consisted primarily of accounting, administrative, third-party payer billing and contract services, customer service, nurses on staff, new product services, service center personnel salaries, fringe benefits and other payroll-related items, professional fees, legal fees, stock-based compensation, insurance and other miscellaneous items. The increase of \$1.3 million was due to an increase in short-term incentive plan compensation totaling \$0.6 million, \$0.2 million in additional audit expenses associated with additional requirements to comply with the Sarbanes-Oxley Act of 2002 and other increased expenses totaling \$0.9 million associated with revenue volume growth and included the cost of additional personnel, information technology and general business expenses, including inflationary increases. These increases were partially offset by a decrease in stock-based compensation expense of \$0.4 million. G&A expenses as a percentage of net revenues for the nine-month period of 2023 decreased to 38.1% compared to 42.6% for the same prior year period.

Other Expenses

During the nine-month period of 2023, other income and expense included interest expense of \$1.7 million, which was \$0.7 million higher than interest expense for the nine-month period of 2022. This increase was due to an increase in outstanding borrowings on the 2021 Credit Agreement, as amended, (defined below) revolving line of credit and higher average interest rates.

(Provision For) Benefit From Income Taxes

During the nine-month period of 2023, the Company recorded a provision for income taxes totaling \$0.3 million on pre-tax income of \$1.1 million, representing an effective tax rate of 28.8%. This rate differed from the U.S. statutory rate mainly due to the effects of local, state and foreign jurisdiction income taxes. During the nine-month period of 2022, the Company recorded a benefit from income taxes totaling \$0.3 million on pre-tax losses of \$0.4 million, representing an effective tax rate of 78.6%. This rate differed from the U.S. statutory rate mainly due to the effects of local, state and foreign jurisdiction income taxes and a benefit related to permanent differences between expense recognized for book purposes versus tax purposes associated with equity compensation expense. The impact of permanent differences weighs heavier on the effective tax rate when pre-tax earnings are close to break even.

Liquidity and Capital Resources

Overview:

We finance our operations and capital expenditures with cash generated from operations and borrowings under our existing credit agreement. On February 5, 2021, we and certain of our subsidiaries, as borrowers, entered into a Credit Agreement (the "2021 Credit Agreement") with JPMorgan Chase Bank, N.A., as administrative agent, sole bookrunner and sole lead arranger (the "Agent"), and the lenders party thereto, which replaced our then existing credit facility, dated March 23, 2015, facility. On April 26, 2023, the Company entered into a First Amendment to the 2021 Credit Agreement (the "First Amendment") with the Agent and the lenders party thereto, which amended the 2021 Credit Agreement. See [Note 7.\(Debt\)](#) in the notes to the accompanying unaudited condensed consolidated financial statements for additional information regarding the [2021 Credit Agreement](#) and the First Amendment.

The following table summarizes our available liquidity (in millions) thousands):

Liquidity	Liquidity			March 31, 2024	December 31, 2023		
	September December		30, 2023 31, 2022				
	30, 2023	31, 2022					
Cash and cash equivalents	Cash and cash equivalents	\$ 0.2	\$ 0.2				
Revolving line of credit		41.6	41.2				
Availability on revolving facility							
Available liquidity	Available liquidity	\$ 41.8	\$ 41.4				

Our liquidity and borrowing plans are established to align with our financial and strategic planning processes and ensure we have the necessary funding to meet our operating commitments, which primarily include the purchase of pumps, medical equipment, inventory, payroll and general expenses. We also take into consideration our overall capital allocation strategy.

which includes investment for future organic growth, potential acquisitions and share repurchases. We believe we have adequate sources of liquidity and funding available to meet our liquidity requirements for at least the next year from the filing date of this report, as well as for our currently anticipated long-term needs, including our long-term lease obligations discussed above in [Note 12 13 \(Leases\)](#), in the notes to the accompanying unaudited condensed consolidated financial statements. However, any projections of future earnings and cash flows are subject to substantial uncertainty, including factors such as the successful execution of our business plan and general economic conditions. We may need to access debt and equity markets in the future if unforeseen costs or opportunities arise, to meet working capital requirements, fund acquisitions or investments or repay indebtedness under the 2021 Credit Agreement, as amended. If we need to obtain new debt or equity financing in the future, the terms and availability of such financing may be impacted by economic and financial market conditions as well as our financial condition and results of operations at the time we seek additional financing.

Long-Term Debt Activities:

The following table illustrates the net availability under the revolving credit facility ("Revolving Facility") under the 2021 Credit Agreement, as amended, as of the applicable balance sheet date (in thousands):

	September 30, December 31, 2023		March 31, 2024	December 31, 2023
	2023	2022		
Revolving Facility:			Revolving Facility:	
Gross availability	Gross availability	\$ 75,000	\$ 75,000	\$ 75,000
Outstanding draws	Outstanding draws	(33,013)	(33,384)	(29,439)
Letters of credit	Letters of credit	(400)	(400)	(200)
Availability on Revolving Facility	Availability on Revolving Facility	\$ 41,587	\$ 41,216	\$ 45,361
		Availability on Revolving Facility	\$ 44,550	

As of [September 30, 2023](#), [March 31, 2024](#), amounts outstanding under the Revolving Facility provided under the 2021 Credit Agreement, as amended, bear interest at a variable rate equal to, at the Company's election, Adjusted Term SOFR for Term Benchmark loans or an Alternative Base Rate for ABR loans, as defined by the First Amendment, plus a spread that will vary depending upon the Company's leverage ratio. The spread ranges from 2.00% to 3.00% for Term Benchmark Loans and 1.00% to 2.00% for base rate loans. The weighted-average Term Benchmark loan rate at [September 30, 2023](#) [March 31, 2024](#) was [7.68%](#) [7.42%](#) (Adjusted Term SOFR of [5.43%](#) [5.42%](#) plus [2.25%](#) [2.00%](#)). The actual ABR loan rate at [September 30, 2023](#) [March 31, 2024](#) was [9.75%](#) [9.50%](#) (lender's prime rate of 8.50% plus [1.25%](#) [1.00%](#)). As of [September 30, 2023](#) [March 31, 2024](#), the Company was in compliance with all debt-related covenants under the 2021 Credit Agreement, as amended.

Share Repurchase Program

On June 30, 2021, our Board of Directors approved a stock repurchase program (the "Share Repurchase Program") that authorizes the Company to repurchase up to \$20.0 million of the Company's outstanding common stock through June 30, 2024. Repurchases under the Share Repurchase Program are subject to market conditions, the periodic capital needs of the Company's operating activities, and the continued satisfaction of all covenants under the Company's existing 2021 Credit Agreement, as amended. Repurchases under the Share Repurchase Program may take place in the open market or in privately negotiated transactions and may be made under a Rule 10b5-1 plan. The Share Repurchase Program does not obligate the Company to repurchase shares and may be suspended, terminated, or modified at any time at the discretion of the Board.

As of **September 30, 2023** **March 31, 2024**, the Company had repurchased and retired approximately \$6.2 million, or 553,149 shares, of the Company's outstanding common stock under the Share Repurchase Program.

Cash Flows:

The following table summarizes our cash flows (in **millions** **thousands**):

		Nine Months Ended September 30, 2023			vs. 2022		
In millions	In millions	2023	2022	2022	2023	2023 vs. 2022	
Net cash provided by operating activities		\$ 6.6	\$13.0	\$ (6.4)			
In millions							
Net cash provided by (used in) operating activities							
Net cash used in investing activities	Net cash used in investing activities	\$(5.7)	\$(8.4)	\$ 2.7			
Net cash used in financing activities	Net cash used in financing activities	\$(0.9)	\$(4.3)	\$ 3.5			
Net cash provided by financing activities							

Operating Cash Flow. Operating cash flows totaled \$6.6 million provided \$0.4 million in cash during the nine-month three-month period of 2023 2024 and \$13.0 million for used \$0.2 million of cash during the nine-month three-month period of 2022 2023. This \$6.4 million decrease \$0.5 million favorable difference was attributable to a reduction of cash used to fund working capital items, which was \$1.5 million during three-month period of 2024 compared to \$3.1 million during three-month period of 2023, a decrease of \$1.6 million. This amount was offset by a decrease in net income loss adjusted for non-cash items, which was \$12.6 million \$1.9 million during the nine-month three-month period of 2024 compared to \$3.0 million during the three-month period of 2023, compared to \$13.1 million during the nine-month period of 2022, a decrease of \$0.6 million, and due to cash used to fund increased working capital items totaling \$6.0 million during nine-month period of 2023 compared to cash used for working capital items totaling \$0.2 million during nine-month period of 2022, a change of \$5.8 million \$1.1 million. The decrease in net income loss adjusted for non-cash items was primarily attributable to the increased general and administrative expenses, associated with on-boarding offset partially by the biomedical master services agreement higher revenue and gross profit described above. The use of cash for working capital items during the nine-month three-month period of 2024 included a \$1.1 million decrease in accounts payable and other liabilities net of capital items, a \$0.7 million increase in other current assets and a \$0.2 million increase in accounts receivable. These cash flow uses were partially offset by a \$0.2 million decrease in inventories and a \$0.4 million decrease in other assets. The cash used for working capital items during the three-month period of 2023 included a \$1.0 million increase in accounts receivable, a \$1.3

million \$0.8 million increase in inventories, a \$1.1 million \$0.8 million increase in other current assets and a \$2.3 million \$0.8 million increase in other assets, and assets. These were partially offset by a \$0.3 million decrease increase in accounts payable and other liabilities net of capital items. The cash used for working capital items during the nine-month period of 2022 included a \$0.6 million increase in accounts receivable and a \$0.9 million increase in inventories. These were partially offset by a \$1.2 million increase in accounts payable and other liabilities net of capital items and a \$0.2 million decrease in other current assets.

The increase in accounts receivable during the nine-month period of 2023 both periods was mainly due to the increase in revenue during 2023. A portion for each period. This increase was greater during the three-month period of 2023 when the revenue was growing at a higher rate and increased revenue was attributable to sales-type leases was included, which resulted in higher lease receivables (of which the long-term portion is included in other assets versus accounts receivable) and to the biomedical master services agreement described above, a part of which increased the related contract asset (which is included in other current assets versus accounts receivable). During 2022, revenue Revenue increased by in the three-month period of 2024, but at a lower amount and most rate than the three-month period of the increase resulted 2023, largely resulting in only a higher an increased accounts receivable balance. Accounts payable and other liabilities net of capital items decreased by \$1.1 million during the three-month period of 2024 and increased \$0.3 million during the nine-month three-month period of 2023, and increased \$1.2 million during the nine-month period of 2022, representing a \$1.5 million \$1.4 million unfavorable cash flow swing, mainly due to a reduction an increase in the amount paid in 2022 2024 for the 2021 2023 short-term incentive bonus plan as compared to the amount paid in 2023 for the 2022 short-term incentive bonus plan. The increase in inventories in both during 2023 and 2022 reflected the higher revenue volumes in both periods. growth during that period. The increase decrease in other assets was due to higher lower long-term lease receivables due to an increase customer payments received and a decrease in the amount of equipment sales on leases during 2023 2024 as compared to 2022. 2023.

Investing Cash Flow. Net cash used in investing activities was \$5.7 million \$0.4 million for the nine-month three-month period of 2024 compared to \$3.1 million for the three-month period of 2023, compared to \$8.4 million for the nine-month period of 2022, a decrease of \$2.7 million \$2.6 million. The decrease was due to a decrease totaling \$1.9 million \$2.6 million in cash used to purchase medical equipment and other property and equipment during the nine-month three-month period of 2023 2024 compared to the nine-month three-month period of 2022, 2023. Purchases of medical equipment were lower during 2023 2024 compared to 2022 2023 because a higher portion of the increased revenue growth in 2023 2024 came from biomedical services and sales-type leases that do not require capital equipment purchases.

Financing Cash Flow. Net cash used in provided by financing activities for the nine-month three-month period of 2023 2024 was \$0.9 million \$0.6 million compared to net cash used of \$4.3 million \$3.3 million for the nine-month three-month period of 2022 2023. The amount of cash used in flow provided by financing activities during nine-month period of 2023 2024 included net revolving line of credit repayments borrowings under the 2021 Credit Agreement as amended, totaling \$0.4 million \$0.8 million and cash proceeds from employee stock option exercises and employee stock purchase plan proceeds totaling \$0.2 million combined. These cash sources were partially offset by cash used to satisfy statutory withholding on employee stock based compensation plans totaling \$1.2 million \$0.4 million. These cash uses were partially offset Cash provided by cash proceeds from employee stock option exercises and employee stock purchase plan proceeds, combined totaling \$1.0 million. Amounts of cash used in financing activities during the nine-month period of 2022 2023 primarily related to \$5.4 million to buy back the Company's common stock and \$0.8 million in cash paid for contingent consideration related to the 2021 acquisition of OB Healthcare. These were partially offset by net revolving line of credit borrowings under the 2021 Credit Agreement totaling \$1.3 million \$3.2 million and \$1.2 million \$0.6 million in cash proceeds from employee stock option exercises and employee stock purchase plan proceeds combined. These were partially offset by cash used to satisfy statutory withholding on employee stock based compensation plans totaling \$0.3 million and \$0.2 million to buy back the Company's common stock.

Critical Accounting Policies and Estimates

The unaudited condensed consolidated financial statements are prepared in conformity with GAAP, which require the use of estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses in the periods presented. We believe that the accounting estimates employed are appropriate and resulting balances are reasonable; however, due to inherent uncertainties in making estimates, actual results could differ from the original estimates, requiring adjustments to these balances in future periods. The critical accounting estimates that affect the unaudited condensed consolidated financial statements and the judgments and assumptions used are consistent with those described in the notes to the audited consolidated financial statements in our annual report on Form 10-K for the year ended December 31, 2022 December 31, 2023 filed with the SEC on March 16, 2023 April 10, 2024. There have been no material changes to our critical accounting policies described in the notes to the audited consolidated financial statements in our annual report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk from changes in foreign currency exchange rates and short-term interest rates. Market risks for changes in interest rates relate primarily to our debt obligations under our 2021 Credit Agreement. Foreign currency exchange risks are attributable to sales to foreign customers and purchases from foreign suppliers not denominated in our functional currency, which is the U.S. Dollar ("USD") and include exposures primarily to the Canadian Dollar.

The Company periodically enters into derivative contracts with the objective of managing its financial and operational exposure arising from these risks by offsetting gains and losses on the underlying exposures with gains and losses on the financial instruments used to hedge them. We did not have any foreign currency derivative contracts outstanding at any time during the three and nine months ended September 30, 2023 March 31, 2024. The maximum length of time over which we hedge our exposure to short-term interest rate risk is equal to the remaining term for the debt obligation being hedged. We had interest rate derivative contracts with a notional value of \$20.0 million as of both September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

We do not enter into derivative financial instruments for speculative or trading purposes. Our hedging relationships are formally documented at the inception of the hedge, and hedges must be highly effective in offsetting changes to future cash flows on hedged transactions both at the inception of a hedge and on an ongoing basis to be designated for hedge accounting treatment. For derivative contracts, which can be classified as a cash flow hedge, the effective portion of the change in the fair value of the derivative is recorded to accumulated other comprehensive income in the condensed consolidated balance sheets. When the underlying hedge transaction is realized, the gain or loss included in accumulated other comprehensive income is recorded in earnings in the condensed consolidated statements of operations and comprehensive income loss on the same line as the gain or loss on the hedged item attributable to the hedged risk. We record the ineffective portion of interest rate hedging instruments, if any, to interest expense in the condensed

consolidated statements of income. See [Note 8](#) to our condensed consolidated financial statements for information related to the fair values of derivative instruments in our condensed consolidated balance sheets as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively, and information related to the effect of derivative instruments included in our condensed consolidated statements of operations and comprehensive income loss including the amount of unrealized gain associated with our interest rate derivatives reported in accumulated other comprehensive income that was reclassified into earnings during the three and nine months ended **September 30, 2023** **March 31, 2024** and **2022** **2023**, respectively.

The Company uses an income approach to value derivative instruments, analyzing quoted market prices to calculate the forward values and then discounting such forward values to the present value using benchmark rates at commonly quoted intervals for the instrument's full term.

In July 2017, the Financial Conduct Authority (the authority that regulates the London Interbank Offered Rate ("LIBOR") announced its intent to stop compelling banks to submit rates for the calculation of LIBOR after 2021, and the administrator of LIBOR announced its intention to cease the publication of the one week and two month USD LIBOR settings immediately following December 31, 2021, and the remaining USD LIBOR settings immediately following the LIBOR publication on June 30, 2023. The one week and two month USD LIBOR settings were last published on December 31, 2021. Additionally, it is expected that banks no longer issue LIBOR-based debt after December 31, 2021. Accordingly, there is considerable uncertainty regarding the publication of such rates beyond these dates. The Alternative Reference Rates Committee ("ARRC") has proposed that the Secured Overnight Financing Rate ("SOFR") is the rate that represents best practice as the alternative to USD LIBOR for use in derivatives and other financial contracts that are currently indexed to USD LIBOR. ARRC has proposed a paced market transition plan to SOFR from USD LIBOR and organizations are currently working on industry-wide and company-specific transition plans as it relates to derivatives and cash markets exposed to USD LIBOR. On April 26, 2023, the Company amended its 2021 Credit Agreement with the First Amendment, discussed in [Note 7](#) to the condensed consolidated financial statements, to provide for the replacement of LIBOR with Term SOFR as a benchmark interest rate. Prior to the First Amendment, net revolving loans under the 2021 Credit Agreement were indexed to USD LIBOR. As discussed in [Note 8](#) to the condensed consolidated financial statements, on May 11, 2023, the Company settled its two outstanding interest rate swap agreements, which were indexed to USD LIBOR, and entered into a new interest rate swap agreement indexed to SOFR to coincide with the index change in the 2021 Credit Agreement, as amended. The new swap agreement has a notional value of \$20 million, which is equal to the combined notional value of the two settled swap agreements. The term of the new swap agreement, which matches the April 26, 2028 expiration date of the 2021 Credit Agreement, as amended, extends past the term of the settled swap agreements by approximately 26 months. **Because of the hedging relationships, a change of 50% in the market rate of SOFR would not have a material impact on our financial results.**

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain a set of disclosure controls and procedures designed to ensure that material information required to be disclosed in our filings under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that material information is accumulated and communicated to our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosures. Our CEO and CFO have evaluated these disclosure controls and procedures as of the end of the period covered by this quarterly report on Form 10-Q and have determined that such disclosure controls and procedures were not effective due to a material **weaknesses** **weakness** in internal control over financial reporting that **were** **was** disclosed in our Annual Report on Form 10-K for the fiscal year ended **December 31, 2022** **December 31, 2023**.

Ongoing Remediation of Previously Identified Material Weaknesses Weakness

As previously described in Part II, Item 9A of our Annual Report on Form 10-K for the fiscal year ended **December 31, 2022** **December 31, 2023**, we are implementing measures designed to ensure that the control **deficiencies** **deficiency** contributing to the previously disclosed material **weaknesses** **are** **weakness** is remediated, such that these **controls** **are** **the** **control** **is** **designed**, implemented, and operating effectively. The Company is **continuing** to assess the completeness and accuracy of data used in performance of controls by reviewing the origin and design of reports used in the performance process of controls. Each report has been identified designing and implementing controls that will improve the Company is working to verify the source data for each report to ensure the completeness and accuracy Company's ongoing application of data. The Company is continuing to assess the access rights and remove segregation of duties conflicts where they had previously existed. Several of these accesses have been removed and several processes have been redesigned to ensure that segregation of duties conflicts have been resolved. The Company will continue to update access rights to the appropriate access levels for key individuals until all conflicts have been resolved. The Company has identified and implemented several procedural changes to address the sufficiency of the documentation US GAAP related to approved pricing. The Company is continuing to assess where additional improvements can be made in revenue recognition for the controls within this area as well as the support for customer orders Company's rental revenue contracts under ASC Topic 842, Leases and pricing determinations. The ASC Topic 606, Revenue from Contracts with Customers. These remediation actions including those listed above, remain in process where in addition to further modifications are deemed necessary to address the material **weaknesses**, **weakness**. We expect these changes to materially improve our internal controls.

The **weaknesses** **weakness** will not be considered remediated until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. Management believes the remediation of these **this** **material** **weaknesses** **weakness** will be completed prior to the end of fiscal year **2023**, **2024**. However, there is no assurance as to when such remediation will be completed.

Changes in Internal Control over Financial Reporting

The Company has been implementing measures to remediate the material **weaknesses** **weakness** in our internal control over financial reporting. Other than the remediation efforts underway, there were no changes in the Company's internal control over financial reporting during the three-month period ended **September 30, 2023** **March 31, 2024**, which were identified in connection with management's evaluation required by paragraph (d) of Rules 13a-15 and 15d-15 under the Exchange Act that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

From time to time in the ordinary course of our business, we may be involved in legal and regulatory proceedings, the outcomes of which may not be determinable. The results of litigation and regulatory proceedings are inherently unpredictable. Any claims against us, whether meritorious or not, could be time consuming, result in costly litigation, require significant amounts of management time and result in diversion of significant resources. We are not able to estimate an aggregate amount or range of reasonably possible losses for those legal matters for which losses are not probable and estimable, primarily for the following reasons: (i) many of the relevant legal proceedings are in preliminary stages and until such proceedings develop further, there is often uncertainty regarding the relevant facts and circumstances at issue and potential liability; and (ii) many of these proceedings involve matters of which the outcomes are inherently difficult to predict. We have insurance policies covering potential losses where such coverage is cost effective.

We are not at this time involved in any proceedings that we believe could have a material effect on our business, financial condition, results of operations or cash flows.

Item 1A. Risk Factors

For information regarding factors that could affect our results of operations, financial condition and liquidity, refer to the section entitled "Risk Factors" in Part I, Item 1A in our Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023** filed with the SEC on **March 16, 2023** **April 10, 2024**.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Purchases of Equity Securities by the Issuer

A summary of our purchases of our common stock during the three months ended **September 30, 2023** **March 31, 2024** is as follows:

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (b)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in thousands) (b)
July 1, 2023 through July 31, 2023	1,785	\$ 9.87	—	\$13,838,269
August 1, 2023 through August 31, 2023	55,391	\$ 11.13	—	\$13,838,269
September 1, 2023 through September 30, 2023	—	\$ —	—	\$13,838,269
Total	57,176	\$ 11.09	—	\$13,838,269

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (b)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in thousands) (b)
January 1, 2024 through January 31, 2024	—	\$ —	—	\$13,838,269
February 1, 2024 through February 29, 2024	14,270	\$ 9.60	—	\$13,838,269
March 1, 2024 through March 31, 2024	24,386	\$ 9.38	—	\$13,838,269
Total	38,656	\$ 9.46	—	\$13,838,269

(a) Of the **57,176** **38,656** shares of common stock presented in the table above, **57,176** **38,656** shares were originally granted to employees and directors as stock options and restricted stock awards. Our stock plans allow for the withholding of shares to satisfy tax obligations due upon the exercise of stock options and vesting of restricted stock. Pursuant to our stock plans, the **57,176** **38,656** shares reflected above were relinquished by employees or directors in exchange for our agreement to pay U.S. federal, state and local tax withholding obligations resulting from the exercise of the Company's stock options and vesting of the Company's restricted stock.

(b) On June 30, 2021, our Board of Directors approved a stock repurchase program (the "Share Repurchase Program") authorizing the Company to repurchase up to \$20.0 million of the Company's outstanding common stock through June 30, 2024, which was announced on August 12, 2021. Repurchases under the Share Repurchase Program will be subject to market conditions, the periodic capital needs of the Company's operating activities, and the continued satisfaction of all covenants under the Company's existing credit agreement. Repurchases under the Share Repurchase Program

may take place in the open market or in privately negotiated transactions and may be made under a Rule 10b5-1 plan. The Share Repurchase Program does not obligate the Company to repurchase shares and may be suspended, terminated, or modified at any time. As of **September 30, 2023** **March 31, 2024**, the Company had repurchased 553,149 shares under the Share Repurchase Program.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None. During the three months ended March 31, 2024, no director or officer of the Company, as defined in Rule 16a-1(f) of the Exchange Act, adopted, modified, or terminated any "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K. There were no reportable events during the quarter ended March 31, 2024 otherwise reportable under this Item 5.

Item 6. Exhibits

Exhibits

3.1	Amended and Restated Certificate of Incorporation, as amended (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on May 12, 2014).
3.2	Amended and Restated By-Laws (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on July 9, 2018).
10.1*	Amendment 1, dated as of September 28, 2023, to Master Services Agreement dated as of April 28, 2022 between InfuSystem, Inc. and GE Precision Healthcare LLC.
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (formatted in inline XBRL and contained in Exhibit 101)
*	Filed herewith
**	Furnished herewith

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 thereunto duly authorized.

INFUSYSTEM HOLDINGS, INC.

Date: November 9, 2023 May 9, 2024

/s/ Richard Dilorio

Richard Dilorio

Chief Executive Officer and Director
(Principal Executive Officer)

Date: November 9, 2023 May 9, 2024

/s/ Barry Steele

Barry Steele

Chief Financial Officer
(Principal Accounting and Financial Officer)

35

Exhibit 10.1

Master Services Agreement - InfuSystem

AMENDMENT 1

This Amendment 1 (this "Amendment") to the Master Service Agreement dated April 25, 2022 (the "Agreement") by and between InfuSystem Inc. having an office located at 3851 West Hamlin Road, Rochester Hills, Michigan 48309 ("Supplier"), and GE Precision Healthcare LLC having an office located at 3000 N Grandview Blvd, Waukesha, WI 53188 ("GEHC") is made as of August 1, 2023 (the "Amendment Effective Date").

WITNESSETH:

WHEREAS, GEHC and Supplier have agreed to increase the service coverage areas to include remote areas and limited equipment accounts.

WHEREAS, further, GEHC and Supplier wish to increase the term of the agreement.

WHEREAS, the parties to this Amendment wish to amend the Agreement to replace in its entirety the current Appendix A and extend the term of the MSA an additional two (2) years, all as more fully set forth below.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties to this Amendment agree as follows:

1. Amendment. Capitalized terms used in this Amendment shall have the meanings given to them in the Agreement unless otherwise specifically defined herein. In the event that any terms and conditions contained herein are in conflict with the terms and conditions set forth in the Agreement or previously executed amendments thereto, the terms and conditions set forth in this Amendment shall be deemed to be the controlling terms and conditions.
 - a. The Term of the Agreement is hereby extended until MARCH 31, 2027.
 - b. Appendix A is deleted in its entirety and replaced with the following new section: "Amendment 1-SOW-InfuSystem-Infusion Pump Service".
2. Ratification. The Agreement as amended hereby is ratified by each of the parties hereto and shall remain in full force and effect in accordance with its terms as so amended. This Amendment is not a consent to any waiver or modification of any other terms or conditions of the Agreement and shall not prejudice any rights which any of the parties may now or hereafter have in connection with the Agreement.
3. Counterparts. This Amendment may be signed in any number of counterparts, each of which shall be an original, and all of which taken together shall constitute a single

amendment, with the same effect as if the signatures hereto and thereto were upon the same instrument.

IN WITNESS WHEREOF, each of the parties hereto has caused this Amendment to the Agreement to be executed by its duly authorized officer or representative set forth below as of the Amendment Effective Date.

GE PRECISON HEALTHCARE LLC	InfuSystem Inc
By: /s/ James P. Divis Jr.	By: /s/ Richard Dilorio
Printed Name: James P. Divis Jr.	Printed Name: Richard Dilorio
Title: Sourcing Lead	Title: CEO
Date: 9/28/23	Date: 9/28/23

32

Exhibit 31.1

CERTIFICATION BY CHIEF EXECUTIVE OFFICER

I, Richard Dilorio, certify that:

1. I have reviewed this quarterly report on Form 10-Q of InfuSystem Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2023 May 9, 2024

/s/ Richard Dilorio

Richard Dilorio
Chief Executive Officer and Director

Exhibit 31.2

CERTIFICATION BY CHIEF FINANCIAL OFFICER

I, Barry Steele, certify that:

1. I have reviewed this quarterly report on Form 10-Q of InfuSystem Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2023 May 9, 2024

/s/ Barry Steele

Barry Steele
Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of InfuSystem Holdings, Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The quarterly report on Form 10-Q for the quarter ended **September 30, 2023** **March 31, 2024** (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: **November 9, 2023** **May 9, 2024**

/s/ Richard Dilorio

Richard Dilorio
Chief Executive Officer and Director

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of InfuSystem Holdings, Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The quarterly report on Form 10-Q for the quarter ended **September 30, 2023** **March 31, 2024** (the "Form 10-Q") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: **November 9, 2023** **May 9, 2024**

/s/ Barry Steele

Barry Steele
Chief Financial Officer

DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2024, Refinitiv. All rights reserved. Patents Pending.