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 June 30, 2021
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. ☐

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 August 9, 2021, 20,568,489 shares of the registrant's common stock, par value $0.0001 per share, were outstanding.

INFUSYSTEM HOLDINGS, INC. AND SUBSIDIARIES

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

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

(in thousands, except par value and share data)	As of June 30, 2021	As of December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 164	$ 9,648
Accounts receivable, net	15,525	14,720
Inventories	3,722	3,001
Other current assets	2,264	2,402
Total current assets	21,675	29,771
Medical equipment for sale or rental	2,955	1,603
Medical equipment in rental service, net of accumulated depreciation	35,401	35,611
Property & equipment, net of accumulated depreciation	4,319	4,296
Goodwill	3,711	-
Intangible assets, net	13,053	11,177
Operating lease right of use assets	4,102	4,461
Deferred income taxes	10,612	9,967
Other assets	169	105
Total assets	$ 95,997	$ 96,991
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 7,804	$ 6,779
Current portion of long-term debt	520	9,423
Other current liabilities	7,525	6,795
Total current liabilities	15,849	22,997
Long-term debt, net of current portion	31,940	29,378
Operating lease liabilities, net of current portion	3,508	3,864
Total liabilities	51,297	56,239
Stockholders' equity:		
Preferred stock, $.0001 par value: authorized 1,000,000 shares; none issued	-	-
Common stock, $.0001 par value: authorized 200,000,000 shares; issued and outstanding 24,084,117 and 20,565,628, respectively, as of June 30, 2021, and issued and outstanding 23,816,193 and 20,297,704, respectively, as of December 31, 2020	2	2
Additional paid-in capital	87,213	84,785
Accumulated other comprehensive income	39	-
Retained deficit	(42,554)	(44,035)
Total stockholders' equity	44,700	40,752
Total liabilities and stockholders' equity	$ 95,997	$ 96,991

See accompanying notes to unaudited condensed consolidated financial statements.

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

(in thousands, except share and per share data)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Net revenues	$ 24,834	$ 25,999	$ 49,297	$ 47,552
Cost of revenues	9,784	10,021	19,671	18,911
Gross profit	15,050	15,978	29,626	28,641
Selling, general and administrative expenses:				
Provision for doubtful accounts	(39)	238	(109)	523
Amortization of intangibles	1,096	1,075	2,139	2,150
Selling and marketing	2,680	2,449	5,056	5,067
General and administrative	10,617	7,710	20,971	16,362
Total selling, general and administrative	14,354	11,472	28,057	24,102
Operating income	696	4,506	1,569	4,539
Other expense:				
Interest expense	(317)	(332)	(639)	(735)
Other expense	(37)	(9)	(106)	(28)
Income before income taxes	342	4,165	824	3,776
Benefit from (provision for) income taxes	478	(25)	657	(54)
Net income	$ 820	$ 4,140	$ 1,481	$ 3,722
Net income per share:				
Basic	$ 0.04	$ 0.21	$ 0.07	$ 0.19
Diluted	$ 0.04	$ 0.19	$ 0.07	$ 0.17
Weighted average shares outstanding:				
Basic	20,487,845	20,082,590	20,413,416	20,000,444
Diluted	22,065,486	21,635,705	22,017,455	21,598,071
Comprehensive income:				
Net income	$ 820	$ 4,140	$ 1,481	$ 3,722
Other comprehensive income:				
Unrealized (loss) gain on hedges	(106)	-	52	-
Provision for income tax on unrealized hedge gain or loss	(13)	-	(13)	-
Net comprehensive income	$ 701	$ 4,140	$ 1,520	$ 3,722

See accompanying notes to unaudited condensed consolidated financial statements.

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INFUSYSTEM HOLDINGS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)

(in thousands)	Common Stock Shares	Common Stock Par Value Amount	Additional Paid in Capital	Retained Deficit	Accumulated Other Comprehensive Income	Treasury Stock Shares	Treasury Stock Par Value Amount	Total Stockholders' Equity
Balances at March 31, 2020	**23,543**	**$ 2**	**$ 83,803**	**$ (61,785)**	**$ -**	**(3,518)**	**$ -**	**$ 22,020**
Stock-based shares issued upon vesting - gross	140	-	-	-	-	-	-	-
Stock-based compensation expense	-	-	357	-	-	-	-	357
Common stock repurchased to satisfy minimum statutory withholding on stock-based compensation	(32)	-	(315)	-	-	-	-	(315)
Net income	-	-	-	4,140	-	-	-	4,140
Balances at June 30, 2020	**23,651**	**$ 2**	**$ 83,845**	**$ (57,645)**	**$ -**	**(3,518)**	**$ -**	**$ 26,202**
Balances at March 31, 2021	**23,915**	**$ 2**	**$ 86,163**	**$ (43,374)**	**$ 158**	**(3,518)**	**$ -**	**$ 42,949**
Stock-based shares issued upon vesting - gross	180	-	-	-	-	-	-	-
Stock-based compensation expense	-	-	254	-	-	-	-	254
Employee stock purchase plan	16	-	1,372	-	-	-	-	1,372
Common stock repurchased to satisfy minimum statutory withholding on stock-based compensation	(27)	-	(576)	-	-	-	-	(576)
Other comprehensive loss	-	-	-	-	(119)	-	-	(119)
Net income	-	-	-	820	-	-	-	820
Balances at June 30, 2021	**24,084**	**$ 2**	**$ 87,213**	**$ (42,554)**	**$ 39**	**(3,518)**	**$ -**	**$ 44,700**
Balances at December 31, 2019	**23,401**	**$ 2**	**$ 83,699**	**$ (61,367)**	**$ -**	**(3,518)**	**$ -**	**$ 22,334**
Stock-based shares issued upon vesting - gross	292	-	-	-	-	-	-	-
Stock-based compensation expense	-	-	563	-	-	-	-	563
Employee stock purchase plan	14	-	74	-	-	-	-	74
Common stock repurchased to satisfy minimum statutory withholding on stock-based compensation	(84)	-	(741)	-	-	-	-	(741)
Common stock issued	28	-	250	-	-	-	-	250
Net income	-	-	-	3,722	-	-	-	3,722
Balances at June 30, 2020	**23,651**	**$ 2**	**$ 83,845**	**$ (57,645)**	**$ -**	**(3,518)**	**$ -**	**$ 26,202**
Balances at December 31, 2020	**23,816**	**$ 2**	**$ 84,785**	**$ (44,035)**	**$ -**	**(3,518)**	**$ -**	**$ 40,752**
Stock-based shares issued upon vesting - gross	309	-	393	-	-	-	-	393
Stock-based compensation expense	-	-	3,007	-	-	-	-	3,007
Employee stock purchase plan	16	-	169	-	-	-	-	169
Common stock repurchased to satisfy minimum statutory withholding on stock-based compensation	(57)	-	(1,141)	-	-	-	-	(1,141)
Other comprehensive income	-	-	-	-	39	-	-	39
Net income	-	-	-	1,481	-	-	-	1,481
Balances at June 30, 2021	**24,084**	**$ 2**	**$ 87,213**	**$ (42,554)**	**$ 39**	**(3,518)**	**$ -**	**$ 44,700**

See accompanying notes to unaudited condensed consolidated financial statements.

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

(in thousands)	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
OPERATING ACTIVITIES		
Net income	$ 1,481	$ 3,722
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for doubtful accounts	(109)	523
Depreciation	5,090	4,782
Loss on disposal of and reserve adjustments for medical equipment	640	77
Gain on sale of medical equipment	(375)	(3,224)
Amortization of intangible assets	2,139	2,150
Amortization of deferred debt issuance costs	114	9
Stock-based compensation	3,007	563
Deferred income taxes	(658)	12
Changes in assets - (increase)/decrease:		
Accounts receivable	(329)	(2,115)
Inventories	(647)	(1,363)
Other current assets	138	205
Other assets	(70)	(123)
Changes in liabilities - (decrease)/increase:		
Accounts payable and other liabilities	(1,607)	(956)
NET CASH PROVIDED BY OPERATING ACTIVITIES	8,814	4,262
INVESTING ACTIVITIES		
Acquisition of business	(7,490)	-
Purchase of medical equipment	(4,943)	(8,783)
Purchase of property and equipment	(334)	(680)
Proceeds from sale of medical equipment, property and equipment	1,503	971
NET CASH USED IN INVESTING ACTIVITIES	(11,264)	(8,492)
FINANCING ACTIVITIES		
Principal payments on long-term debt	(53,982)	(23,777)
Cash proceeds from long-term debt	47,913	26,259
Debt issuance costs	(386)	-
Common stock repurchased to satisfy statutory withholding on employee stock-based compensation plans	(1,141)	(741)
Cash proceeds from stock plans	562	74
Common stock - issued	-	250
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(7,034)	2,065
Net change in cash and cash equivalents	(9,484)	(2,165)
Cash and cash equivalents, beginning of period	9,648	2,647
Cash and cash equivalents, end of period	$ 164	$ 482

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, 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 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, 2020 as filed with the SEC on March 22, 2021.

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.

Derivatives Accounting Policy

The Company recognizes all derivative financial instruments as cash flow hedges which are shown as either assets or liabilities on the Company’s consolidated balance sheets at fair value. For derivative contracts which can be classified as a cash flow hedge, the effective portion of the change in fair value of the derivative is recorded to accumulated other comprehensive income (“AOCI”) in the consolidated balance sheets. The underlying hedge transaction is realized when the interest payments on debt are accrued; the applicable amount of gain or loss included in AOCI is reclassified into earnings in the consolidated statements of operations on the same line as the gain or loss on the hedged item attributable to the hedged risk. The cash flows from derivatives are classified as operating activities.

The Company maintains a policy of requiring that all derivative instruments be governed by an International Swaps and Derivatives Association Master Agreement and settles on a net basis.

The fair values of the Company’s derivative financial instruments are categorized as Level 2 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.

2. Recent Accounting Pronouncements and Developments

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2016-13, “Financial Instruments (Topic 326) Credit Losses”. Topic 326 changes the impairment model for most financial assets and certain other instruments. Under the new standard, entities holding financial assets and net investment in leases that are not accounted for at fair value through net income are to be presented at the net amount expected to be collected. An allowance for credit losses will be a valuation account that will be deducted from the amortized cost basis of the financial asset to present the net carrying value at the amount expected to be collected on the financial asset. Topic 326 was originally effective as of January 1, 2020, although in November 2019, the FASB delayed the effective date until fiscal years beginning after December 15, 2022 for SEC filers eligible to be smaller reporting companies under the SEC’s definition. The Company qualifies as a smaller reporting company under the SEC’s definition. Early adoption is permitted. The Company is currently evaluating the impact of Topic 326 on its consolidated balance sheets, statements of operations, statements of cash flows and related disclosures.

3. Business Combinations

Acquisitions Accounted for Using the Purchase Method

On January 31, 2021, the Company closed on the acquisition of substantially all of the assets of FilAMed, a privately-held biomedical services company based in Bakersfield, California. This acquisition will supplement the Company's existing biomedical recertification, maintenance and repair services for acute care facilities and other alternate site settings including home care and home infusion providers, skilled nursing facilities, pain centers and others.

On April 18, 2021, the Company acquired the business and substantially all of the assets of OB Healthcare Corporation ("OB Healthcare"), a privately-held biomedical services company based in Austin, Texas. OB Healthcare specializes in on-site repair, preventative maintenance, and device physical inventory management to hospitals and healthcare systems nationwide. The acquisition further develops and expands InfuSystem's Durable Medical Equipment Services ("DME Services") segment and complements the Company's purchase of FilAMed.

FilAMed and OB Healthcare's results of operations are included in the Company's consolidated statements of operations from the respective closing dates. Revenues and earnings from these acquisitions has not been significant through June 30, 2021.

Purchase Price Allocation

Pursuant to FASB Accounting Standards Codification ("ASC") Topic805, "*Business Combinations,*" the purchase price for each of the acquisitions was allocated to the assets acquired and liabilities assumed based upon their estimated fair values as of the respective acquisition dates. The purchase price allocations were primarily based upon a valuation using management's estimates and assumptions. The purchase price allocation was completed for FilAMed as of June 30, 2021. The purchase price allocation for OB Healthcare was based on a preliminary analysis and is subject to further adjustments related to the final working capital. Upon completion of the final purchase price allocation, the Company may need to adjust the accounts receivable. The following table summarizes the consideration paid and the allocation of the purchase price to the fair values of the assets acquired and liabilities assumed as of the respective acquisition dates for both FilAMed and OB Healthcare (in thousands):

	FilAMed	OB Healthcare	Total Consideration
Cash	$ 1,400	$ 6,250	$ 7,650
Working capital (a)	-	328	328
Contingent consideration	-	750	750
Total - consideration	$ 1,400	$ 7,328	$ 8,728

	FilAMed	OB Healthcare	Total Acquisition Date Fair Value
Accounts receivable (a)	$ -	$ 727	$ 727
Inventories	74	-	74
Medical equipment held for sale or rental	40	-	40
Property and equipment	102	59	161
Intangible assets	1,015	3,000	4,015
Goodwill	169	3,542	3,711
Operating lease right of use assets	281	7	288
Operating lease liabilities	(281)	(7)	(288)
Total - purchase price (a)	$ 1,400	$ 7,328	$ 8,728

(a) Amount based on preliminary working capital

During the three months ended June 30, 2021, the Company completed the valuation of FilAMed with immaterial changes in medical equipment held for sale or rental and intangible assets as well as the recognition of operating lease right of use assets and operating lease liabilities with a corresponding increase to goodwill. This decreased amortization expense by an immaterial amount for the three months ended June 30, 2021. The amount of acquisition costs for both transactions was $0.1 million and is included in general and administrative expenses.

On the FilAMed acquisition date, the Company made an initial cash payment of $1.2 million with a remaining liability of $0.2 million, which was paid during the quarter ended June 30, 2021. On the OB Healthcare acquisition date, the Company made an initial cash payment of $6.1 million and had additional estimated amount due to the seller of $0.5 million, primarily related to a working capital adjustment, and contingent consideration of $0.8 million, both of which were recorded in the balance sheet under the heading for other current liabilities. The contingent consideration arrangement requires the Company to pay OB Healthcare $0.8 million if certain written contracts are executed by December 31, 2021. The Company expects OB Healthcare to satisfy this requirement. As of June 30, 2021, the Company had a $1.2 million remaining liability.

The following table shows the breakdown of the identified intangible assets acquired into major intangible asset classes for both acquisitions:

	Acquisition Date Fair Value (Thousands)	Weighted-Average Amortization Period (Years)
Customer relationships	$ 2,300	15
Unpatented technology	943	7
Non-competition agreements	472	5
Internal-use software	300	5
Total intangible assets (a)	$ 4,015	11.2

(a) There was no residual value, renewal terms or extensions associated with any intangible assets acquired.

The goodwill acquired consists of expected synergies from combining operations of FilAMed and OB Healthcare with the DME Services segment as well as their respective assembled workforce who have specialized knowledge and experience. All of the goodwill is deductible for tax purposes.

Unaudited Pro Forma Financial Information

The unaudited pro forma financial information in the table below summarizes the combined results of operations of the Company, FilAMed and OB Healthcare as though the companies' businesses had been combined as of the beginning of the three and six month periods ended June 30, 2020. The pro forma financial information for the three months and six months ended June 30, 2021 has been adjusted by $0.1 million for the tax effected amount of acquisition costs and non-recurring expenses directly attributable to the FilAMed and OB Healthcare acquisitions. The three months and six months ended June 30, 2020 also included these charges. The pro forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisitions had taken place at the beginning of each period presented nor is it indicative of future results. The following pro forma financial information presented also includes the pro forma depreciation and amortization charges from acquired tangible and intangible assets for the three and six months ended June 30, 2021 and 2020 (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Revenue	$ 25,035	$ 26,835	$ 50,067	$ 49,538
Net income	$ 1,001	$ 3,743	$ 990	$ 3,489

4. Revenue Recognition

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

	Three Months Ended June 30,			
	2021		2020	
	Total Net Revenues	Percentage of Total Net Revenues	Total Net Revenues	Percentage of Total Net Revenues
Third-Party Payer Rentals	$ 13,130	52.9%	$ 12,752	49.0%
Direct Payer Rentals	8,354	33.6%	7,940	30.6%
Product Sales	3,350	13.5%	5,307	20.4%
Total	$ 24,834	100.0%	$ 25,999	100.0%

	Six Months Ended June 30,			
	2021		2020	
	Total Net Revenues	Percentage of Total Net Revenues	Total Net Revenues	Percentage of Total Net Revenues
Third-Party Payer Rentals	$ 25,924	52.6%	$ 23,988	50.5%
Direct Payer Rentals	16,440	33.3%	14,800	31.1%
Product Sales	6,933	14.1%	8,764	18.4%
Total	$ 49,297	100.0%	$ 47,552	100.0%

Third-Party Payer Rentals are entirely attributed to revenues of the Integrated Therapy Services ("ITS") segment. Product Sales are entirely attributed to revenues of the DME Services segment. For the three months ended June 30, 2021, $3.2 million and $5.2 million of Direct Payer Rentals were attributed to the ITS and DME Services segments, respectively. For the three months ended June 30, 2020, $2.8 million and $5.1 million of Direct Payer Rentals were attributed to the ITS and DME Services segments, respectively.

For the six months ended June 30, 2021, $6.3 million and $10.1 million of Direct Payer Rentals were attributed to the ITS and DME Services segments, respectively. For the six months ended June 30, 2020, $5.7 million and $9.1 million of Direct Payer Rentals were attributed to the ITS and DME Services segments, respectively.

5. Medical Equipment

Medical equipment consisted of the following (in thousands):

	June 30, 2021	December 31, 2020
Medical equipment for sale or rental	$ 3,010	$ 1,636
Medical equipment for sale or rental - pump reserve	(55)	(33)
Medical equipment for sale or rental - net	2,955	1,603
Medical equipment in rental service	85,959	83,411
Medical equipment in rental service - pump reserve	(1,286)	(893)
Accumulated depreciation	(49,272)	(46,907)
Medical equipment in rental service - net	35,401	35,611
Total	$ 38,356	$ 37,214

Depreciation expense for medical equipment for the three and six months ended June 30, 2021 was $2.3 million and $4.6 million, respectively, compared to $2.3 million and $4.4 million for the same prior year periods, respectively. This expense was recorded in "cost of revenues" for each period.

6. Property and Equipment

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

	June 30, 2021			December 31, 2020		
	Gross Assets	Accumulated Depreciation	Total	Gross Assets	Accumulated Depreciation	Total
Furniture, fixtures, and equipment	$ 4,183	$ (2,256)	$ 1,927	$ 3,742	$ (2,018)	$ 1,724
Automobiles	117	(108)	9	117	(102)	15
Leasehold improvements	3,418	(1,035)	2,383	3,416	(859)	2,557
Total	$ 7,718	$ (3,399)	$ 4,319	$ 7,275	$ (2,979)	$ 4,296

Depreciation expense for property and equipment for the three and six months ended June 30, 2021 was $0.3 million and $0.5 million, respectively, compared to $0.2 million and $0.4 million for the same prior year periods, respectively. This expense was recorded in "general and administrative expenses" for each period.

7. Goodwill & Intangible Assets

The changes in the carrying value of goodwill by segment for the six months ended June 30, 2021 are as follows (in thousands):

	DME Services (a)
Balance as of December 31, 2020	$ -
Goodwill acquired	3,711
Balance as of June 30, 2021	$ 3,711

(a) No goodwill allocated to the ITS segment

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

	June 30, 2021			December 31, 2020		
	Gross Assets	Accumulated Amortization	Net	Gross Assets	Accumulated Amortization	Net
Nonamortizable intangible assets						
Trade names	$ 2,000	$ -	$ 2,000	$ 2,000	$ -	$ 2,000
Amortizable intangible assets:						
Trade names	23	(23)	-	23	(23)	-
Physician and customer relationships	38,834	(30,137)	8,697	36,534	(28,924)	7,610
Non-competition agreements	472	(20)	452	-	-	-
Unpatented technology	943	(56)	887	-	-	-
Software	11,530	(10,513)	1,017	11,230	(9,663)	1,567
Total nonamortizable and amortizable intangible assets	$ 53,802	$ (40,749)	$ 13,053	$ 49,787	$ (38,610)	$ 11,177

Amortization expense for the three and six months ended June 30, 2021 was $1.1 million and $2.1 million, respectively, with equivalent amounts for the same prior year periods, respectively. 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 June 30, 2021 is as follows (in thousands):

	2021	2022	2023	2024	2025	2026 and thereafter	Total
Amortization expense	$ 2,123	$ 2,494	$ 990	$ 990	$ 810	$ 3,646	$ 11,053

8. 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, the “Borrowers”).

The 2021 Credit Agreement provides for a revolving credit facility (the “Revolving Facility”) of $75 million, maturing on February 5, 2026. The Revolving Facility may be increased by $25 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 million in letters of credit subject to the satisfaction of certain conditions. On February 5, 2021, the Borrowers made an initial borrowing of $30 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 February 5, 2021, in connection with the execution and closing of the 2021 Credit Agreement, the Company, along with its wholly owned subsidiaries as borrowers, terminated the 2015 Credit Agreement. All outstanding loans under the 2015 Credit Agreement have been repaid and all liens under the 2015 Credit Agreement have been released, except that a letter of credit originally issued under the 2015 Credit Agreement in the amount of approximately $0.8 million was transferred to the 2021 Credit Agreement.

At December 31, 2020, the 2015 Credit Agreement, which would have matured on November 9, 2024, included three term notes totaling $37.9 million, with varying required quarterly amortization payments, and an undrawn $11.8 million revolving line of credit. The availability under the line of credit was reduced by outstanding letters of credit and reserves totaling $1.0 million and was subject to a borrowing base limitation as defined by the agreement. The borrowing base was approximately $15.6 million at December 31, 2020. At December 31, 2020 and on the date of the refinancing, the Company was in compliance with all affirmative and negative covenants, as outlined in the agreement, which included maintenance of a maximum leverage ratio and a minimum fixed charge coverage ratio, as defined in the agreement. Interest on the facility was payable at the Company's option as a (i) Eurodollar Loan, which bore interest at a per annum rate equal to the applicable 30-day LIBOR plus an applicable margin ranging from 2.00% to 3.00% or (ii) CB Floating Rate ("CBFR") Loan, which bore interest at a per annum rate equal to the greater of (a) the lender's prime rate or (b) LIBOR plus 2.50%, in each case, plus a margin ranging from -1.00% to 0.25% based on our leverage ratio. The actual Eurodollar Loan rate at December 31, 2020 was 2.19% (LIBOR of 0.19% plus 2.00%). The actual CBFR Loan rate at December 31, 2020 was 2.25% (lender's prime rate of 3.25% minus 1.00%).

The 2021 Credit Agreement was accounted for as a debt modification. As of June 30, 2021, the Company was in compliance with all debt-related covenants under the 2021 Credit Agreement.

On April 15, 2019, the Company sold for $2.0 million and immediately leased back certain medical equipment in rental service to a third party specializing in such transactions. The leaseback term is 36 months. Because the arrangement contains a purchase option that the Company is reasonably certain to exercise, this transaction did not qualify for the sale-leaseback accounting under ASC 842. The medical equipment remains recorded on the accompanying condensed consolidated balance sheet and the proceeds received have been classified as an other financing liability, which is being paid off monthly over the term of the lease. The balance of other financing as of June 30, 2021 was $0.6 million.

As referenced above, the Company executed and closed the 2021 Credit Agreement during the first quarter of 2021, and in connection with entering into that agreement, terminated the 2015 Credit Agreement. For the following tables, the figures related to the June 30, 2021 revolving credit facility balances relate to the 2021 Credit Agreement, while the December 31, 2020 revolving credit facility balances relate to the now-terminated 2015 Credit Agreement. The following table illustrates the net availability under the revolving credit facilities as of the applicable balance sheet date (in thousands):

	June 30, 2021	December 31, 2020
Revolving Facility:		
Gross availability	$ 75,000	$ 11,750
Outstanding draws	(32,203)	-
Letter of credit	(800)	(800)
Landlord reserves	-	(162)
Availability on Revolving Facility	$ 41,997	$ 10,788

The Company had future maturities of its long-term debt as of June 30, 2021 as follows (in thousands):

	2021	2022	2023	2024	2025 and thereafter	Total
Revolving Facility	$ -	$ -	$ -	$ -	$ 32,203	$ 32,203
Other financing	372	222	-	-	-	594
Total	$ 372	$ 222	$ -	$ -	$ 32,203	$ 32,797

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

	June 30, 2021			December 31, 2020		
	Current Portion	Long-Term Portion	Total	Current Portion	Long-Term Portion	Total
Revolving Facility	$ -	$ 32,203	32,203	$ -	$ -	$ -
Term loan	-	-	-	4,615	17,305	21,920
Equipment line	-	-	-	1,600	4,400	6,000
2019 equipment line	-	-	-	2,500	7,500	10,000
Other financing	594	-	594	725	222	947
	594	32,203	32,797	9,440	29,427	38,867
Unamortized value of debt issuance costs	(74)	(263)	(337)	(17)	(49)	(66)
Total	$ 520	$ 31,940	$ 32,460	$ 9,423	$ 29,378	$ 38,801

As of June 30, 2021, amounts outstanding under the Revolving Facility bear interest at a variable rate equal to, at the Company's election, a LIBO Rate for Eurodollar loans or an Alternative Base Rate for ABR loans, as defined by the 2021 Credit Agreement, plus a spread that will vary depending upon the Company's leverage ratio. The spread ranges from 2.00% to 3.00% for Eurodollar Loans and 1.00% to 2.00% for base rate loans. The weighted-average Eurodollar loan rate at June 30, 2021 was 2.08% (LIBO of 0.08% plus 2.00%). The actual ABR loan rate at June 30, 2021 was 4.25% (lender's prime rate of 3.25% plus 1.00%).

9. Derivative Financial Instruments and Hedging Activities

During the quarter ended March 31, 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 have a constant notional amount over a five-year term that ends on February 5, 2026. The agreements both pay the Company 30-day LIBOR on the notional amount and the Company pays a fixed rate of interest equal to 0.73%. These derivative instruments are considered cash flow hedges. The Company does not have any other derivative financial instruments.

The table below presents the location and gross fair value amounts of our derivative financial instruments and the associated notional amounts designated as cash flow hedges (in thousands):

	June 30, 2021 (a)		
	Balance Sheet Location	Notional	Fair Value Derivative Assets
Derivatives designated as hedges:			
Cash flow hedges			
Interest rate swaps	Other noncurrent assets	$ 20,000	$ 52

(a) No derivative instruments existed at December 31, 2020.

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

	Three Months Ended June 30, 2021 (a)	Six Months Ended June 30, 2021 (a)
Gain/(loss) on cash flow hedges - interest rate swaps		
Beginning balance	$ 158	$ -
Unrealized gain/(loss) recognized in AOCI	(137)	11
Amounts reclassified to interest expense (b)(c)	31	41
Tax provision	(13)	(13)
Ending balance	$ 39	$ 39

(a) No derivative instruments existed for the three and six months ended June 30, 2020
(b) Positive amounts represented interest expense. Total interest expense as presented in the consolidated statement of operations for the three months and six months ended June 30, 2021 were $0.3 million and $0.6 million, respectively
(c) $0.1 million of expense is expected to be reclassified into earnings within the next 12 months

The Company did not incur any hedge ineffectiveness during the three or six months ended June 30, 2021.

10. Income Taxes

During the three and six months ended June 30, 2021, the Company recorded a benefit from income taxes of $0.5 million and $0.7 million, respectively. The income tax benefit relates principally to excess tax benefits on exercises of stock options and vesting of restricted stock during the periods offset by the estimate of the Company’s annual state and local taxes and foreign operations in Canada. During the three and six months ended June 30, 2020, the Company recorded provision for income taxes of less than $0.1 million and $0.1 million, respectively.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act was enacted in response to the COVID-19 pandemic. The CARES Act among other things, allows employers to defer the deposit and payment of the employer's share of Social Security taxes. Under the CARES Act, the Company deferred paying $0.7 million of applicable gross payroll taxes, which is included in other current liabilities as of June 30, 2021. The $0.7 million balance of the deferred Social Security taxes is expected to be paid in two equal annual installments during the years ending December 31, 2021 and 2022, respectively.

11. Commitments, Contingencies and Litigation

From time to time in the ordinary course of its business, the Companymay be involved in legal and regulatory proceedings, the outcomes of whichmay 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.

12. Earnings Per Share

Basic income per share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted income 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 per share computations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Numerator:				
Net income *(in thousands)*	$ 820	$ 4,140	$ 1,481	$ 3,722
Denominator:				
Weighted average common shares outstanding:				
Basic	20,487,845	20,082,590	20,413,416	20,000,444
Dilutive effect of common stock equivalents	1,577,641	1,553,115	1,604,039	1,597,627
Diluted	22,065,486	21,635,705	22,017,455	21,598,071
Net income per share:				
Basic	$ 0.04	$ 0.21	$ 0.07	$ 0.19
Diluted	$ 0.04	$ 0.19	$ 0.07	$ 0.17

For the three and six months ended June 30, 2021, 0.2 million and 0.1 million, respectively, of outstanding options and restricted stock units with an exercise price above the current market value of the Company's common stock were not included in the calculation because they would have an anti-dilutive effect. For both thethree and six months ended June 30, 2020, less than 0.1 million of outstanding options and restricted stock units with an exercise price above the current market value of the Company's common stock were not included in the calculation because they would have an anti-dilutive effect.

Share Repurchase Program

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 throughJune 30, 2024. The 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 2021 Credit Agreement. Repurchases under the program may take place in the open market or in privately negotiated transactions andmay be made under a Rule 10b5-1 plan. The repurchase program does not obligate the Company to repurchase shares and may be suspended, terminated, or modified at any time. As ofJune 30, 2021, the Company had not repurchased any shares under the Share Repurchase Program.

13. Leases

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 ten 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 arenot 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 six months ended June 30, 2021 and 2020 are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Operating lease cost	$ 348	$ 404	$ 696	$ 828
Variable lease cost	58	77	115	189
Total lease cost	$ 406	$ 481	$ 811	$ 1,017

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

	Six Months Ended June 30,	
	2021	2020
Cash paid for amounts included in the measurement of lease liabilities and right of use assets:		
Operating cash flow from operating leases	$ 720	$ 789
Right of use assets obtained in exchange for lease obligations:		
Operating leases	$ 288	$ 118

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

	As of June 30,	
	2021	2020
	Years	Years
Weighted average remaining lease term:	6.5	7.2
	Rate	Rate
Weighted average discount rate:	7.7%	7.8%

Future maturities of lease liabilities as of June 30, 2021 are as follows (in thousands):

	Operating Leases
2021	$ 545
2022	1,183
2023	979
2024	949
2025	914
Thereafter	2,253
Total undiscounted lease payments	6,823
Less: Imputed interest	(2,327)
Total lease liabilities	$ 4,496

14. Business Segment Information

The Company's reportable segments are organized based on service platforms, with the ITS segment reflecting higher margin rental revenues that generally include payments made by third-party and direct payers and the DME Services segment reflecting lower margin product sales and direct payer rental 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 thethree months ended June 30, 2021 and 2020:

2021

(in thousands)	ITS	DME Services	Corporate/ Eliminations	Total
Net revenues - external	$ 16,334	$ 8,500	$ -	$ 24,834
Net revenues - internal	-	1,598	(1,598)	-
Total net revenues	16,334	10,098	(1,598)	24,834
Gross profit	10,451	4,599	-	15,050
Selling, general and administrative expenses			14,354	14,354
Interest expense			(317)	(317)
Other expense			(37)	(37)
Benefit from income taxes			478	478
Net income				$ 820
Total assets	$ 60,876	$ 33,121	$ 2,000	$ 95,997
Purchases of medical equipment	$ 1,871	$ 736	$ -	$ 2,607
Depreciation and amortization of intangible assets	$ 2,732	$ 927	$ -	$ 3,659

2020

(in thousands)	ITS	DME Services	Corporate/ Eliminations	Total
Net revenues - external	$ 15,605	$ 10,394	$ -	$ 25,999
Net revenues - internal	-	1,258	(1,258)	-
Total net revenues	15,605	11,652	(1,258)	25,999
Gross profit	10,279	5,699	-	15,978
Selling, general and administrative expenses			11,472	11,472
Interest expense			(332)	(332)
Other expense			(9)	(9)
Provision for income taxes			(25)	(25)
Net income				$ 4,140
Total assets	$ 51,962	$ 30,007	$ 2,000	$ 83,969
Purchases of medical equipment	$ 2,663	$ 2,113	$ -	$ 4,776
Depreciation and amortization of intangible assets	$ 2,694	$ 836	$ -	$ 3,530

The financial information summarized below is presented by reportable segment for thesix months ended June 30, 2021 and 2020:

2021

(in thousands)	ITS	DME Services	Corporate/ Eliminations	Total
Net revenues - external	$ 32,245	$ 17,052	$ -	$ 49,297
Net revenues - internal	-	3,044	(3,044)	-
Total net revenues	32,245	20,096	(3,044)	49,297
Gross profit	20,454	9,172	-	29,626
Selling, general and administrative expenses			28,057	28,057
Interest expense			(639)	(639)
Other expense			(106)	(106)
Benefit from income taxes			657	657
Net income				$ 1,481
Total assets	$ 60,876	$ 33,121	$ 2,000	$ 95,997
Purchases of medical equipment	$ 3,492	$ 1,451	$ -	$ 4,943
Depreciation and amortization of intangible assets	$ 5,428	$ 1,801	$ -	$ 7,229

2020

(in thousands)	ITS	DME Services	Corporate/ Eliminations	Total
Net revenues - external	$ 29,731	$ 17,821	$ -	$ 47,552
Net revenues - internal	-	2,496	(2,496)	-
Total net revenues	29,731	20,317	(2,496)	47,552
Gross profit	19,385	9,256	-	28,641
Selling, general and administrative expenses			24,102	24,102
Interest expense			(735)	(735)
Other expense			(28)	(28)
Provision for income taxes			(54)	(54)
Net income				$ 3,722
Total assets	$ 51,962	$ 30,007	$ 2,000	$ 83,969
Purchases of medical equipment	$ 5,020	$ 3,763	$ -	$ 8,783
Depreciation and amortization of intangible assets	$ 5,348	$ 1,584	$ -	$ 6,932

15. COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of coronavirus (“COVID-19”) as a pandemic, which has spread globally and throughout the United States. During the period of the pandemic, we took a number of precautionary and preemptive steps to protect the safety and well-being of our employees while ensuring continuity of service to our clients, including, transitioning our employees to a remote work environment, suspending employee travel, canceling participation in industry events and in-person group meetings, promoting social distancing and enhanced cleaning and sanitization efforts across office locations, and implementing protocols to quarantine employees who may have been exposed to COVID-19, or show relevant symptoms. We also continued to undertake preparedness plans at our facilities to maintain continuity of operations, which provide for flexible work arrangements without any significant disruptions to our business or control processes. Our management team is continuing to actively monitor the situation and is in constant communication with our workforce, customers and vendors. While the COVID-19 pandemic has not had any material unfavorable effects in our financial results for thethree or six months ended June 30, 2021, the extent of any future impact will depend on future developments, which are highly uncertain, cannot be predicted and could have a material adverse impact on our financial position, operating results and cash flows.

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, 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, dependency on banking relations and the ability to comply with our credit facility covenants, 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, 2020 filed on March 22, 2021, 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 as well as 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 while First Biomedical, Inc., a wholly-owned subsidiary of the Company, is 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.

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) 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. We do not perform any research and development on pumps, but we have made, and continue to make investments in our information technology.

Integrated Therapy Services ("ITS") Segment

Our ITS segment's core purpose is to seek opportunities to leverage 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 ITS 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 third 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 primary goals for the ITS segment is to expand into treatment of other cancers. There are a number of approved treatment protocols for pancreatic, head and neck, esophageal and other cancers, as well as other disease states which present opportunities for growth. There are also a number of other drugs currently approved by the U.S. Food and Drug Administration, 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.

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 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: evidence of improved clinical outcomes; lower toxicity and side effects; and a favorable reimbursement environment.

We believe that oncology practices have a heightened sensitivity to providing quality service and whether they are reimbursed for services they provide. Simultaneously, CMS 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 cancer types 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 growth for our ITS 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.
- Negative Pressure Wound Therapy ("NPWT") - as announced in February 2020, NPWT includes providing the Durable Medical Equipment and related consumables, overseeing logistics, providing biomedical services, and managing third-party billing of the U.S. home healthcare market, which as a subset of the broader NPWT market, has an estimated addressable home healthcare market of $600 million per year.
- Lymphedema Therapy – as announced in June 2021, Lymphedema therapy includes providing patient care and customer service, pneumatic compression devices and associated garments through our partnership with Bio Compression Systems, Inc. to outpatients, initially targeting our existing acute care and oncology customers estimated to be 20% of the multi-billion-dollar Lymphedema market.
- 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.
- Information technology-based services - we also plan to continue to capitalize on key new information technology-based services such as EXPRESS, InfuSystem Mobile, InfuBus or InfuConnect, Pump Portal and BlockPain Dashboard®.

The payer environment within our ITS 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 coverages, 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.

Durable Medical Equipment Services ("DME Services") Segment

Our DME Services segment's core service is to: (i) sell or rent new and pre-owned pole-mounted and ambulatory infusion pumps; (ii) sell treatment-related consumables; and (iii) provide biomedical recertification, 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 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. Our recent acquisition of FilAMed, a privately-held biomedical services company, on January 31, 2021 will supplement the Company's existing biomedical recertification, maintenance and repair services for acute care facilities and other alternate site settings including home care and home infusion providers, skilled nursing facilities, pain centers and others. Our recent acquisition of OB Healthcare Corporation ("OB Healthcare"), a privately-held biomedical services company, on April 18, 2021 further develops and expands InfuSystem's DME Services segment and complements the Company's purchase of FilAMed.

COVID-19 Update

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic, which has spread globally and throughout the United States. During the period of the pandemic, we took a number of precautionary and preemptive steps to protect the safety and well-being of our employees while ensuring continuity of service to our clients, including, transitioning our employees to a remote work environment, suspending employee travel, canceling participation in industry events and in-person group meetings, promoting social distancing and enhanced cleaning and sanitization efforts across office locations, and implementing protocols to quarantine employees who may have been exposed to COVID-19, or show relevant symptoms. We also continued to undertake preparedness plans at our facilities to maintain continuity of operations, which provide for flexible work arrangements without any significant disruptions to our business or control processes. Our management team is continuing to actively monitor the situation and is in constant communication with our workforce, customers and vendors. While the COVID-19 pandemic has not had any material unfavorable effects in our financial results for the three and six months ended June 30, 2021, the extent of any future impact will depend on future developments, which are highly uncertain, cannot be predicted and could have a material adverse impact on our financial position, operating results and cash flows.

InfuSystem Holdings, Inc. Results of Operations for the Three Months Ended June 30, 2021 Compared to the Three Months Ended June 30, 2020

The following represents the Company's results of operations for the three months ended June 30, 2021 and 2020:

(in thousands, except share and per share data)	Three Months Ended June 30, 2021	2020	Better/ (Worse)
Net revenues:			
ITS	$ 16,334	$ 15,605	$ 729
DME Services (inclusive of inter-segment revenues)	10,098	11,652	(1,554)
Less: elimination of inter-segment revenues	(1,598)	(1,258)	(340)
Total	24,834	25,999	(1,165)
Gross profit (inclusive of certain inter-segment allocations) (a):			
ITS	10,451	10,279	172
DME Services	4,599	5,699	(1,100)
Total	15,050	15,978	(928)
Selling, general and administrative expenses			
Provision for doubtful accounts	(39)	238	277
Amortization of intangibles	1,096	1,075	(21)
Selling and marketing	2,680	2,449	(231)
General and administrative	10,617	7,710	(2,907)
Total selling, general and administrative expenses	14,354	11,472	(2,882)
Operating income	696	4,506	(3,810)
Other expense	(354)	(341)	(13)
Income before income taxes	342	4,165	(3,823)
Benefit from (provision for) income taxes	478	(25)	503
Net income	$ 820	$ 4,140	$ (3,320)
Net income per share:			
Basic	$ 0.04	$ 0.21	$ (0.17)
Diluted	$ 0.04	$ 0.19	$ (0.15)
Weighted average shares outstanding:			
Basic	20,487,845	20,082,590	405,255
Diluted	22,065,486	21,635,705	429,781

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

Net Revenues

Net revenues for the quarter ended June 30, 2021 ("second quarter of 2021") were $24.8 million, a decrease of $1.2 million, or 4.5%, compared to $26.0 million for the quarter ended June 30, 2020 ("second quarter of 2020"). The decrease was due to lower equipment sales and rental revenues offset partially by higher service and repair revenues and higher net revenue for all three ITS Segment therapies.

ITS

ITS net revenue of $16.3 million increased $0.7 million, or 4.7%, during the second quarter of 2021 as compared to the prior year period. This increase was primarily attributable to higher treatment volumes for Pain Management and NPWT. Pain Management net revenue for the 2021 second quarter increased as compared to the prior year second quarter due to additional sites of care added over the last year and a recovery in the elective surgeries market which was negatively impacted by COVID-19 during the second quarter of 2020. NPWT was launched during the first quarter of 2020 but did not start to have measurable quarterly revenues until the second half of 2020. On a combined basis, Pain Management and NPWT net revenues increased by $0.7 million during the second quarter of 2021 as compared to the same period in 2020, which represented an increase of 114%.

DME Services

DME Services net revenue of $8.5 million decreased $1.9 million, or 18.2%, during the second quarter of 2021 as compared to the prior year period. This decrease was mainly due to a moderation in market demand for infusion pumps which was elevated during the second quarter of 2020 because of the COVID-19 pandemic. The higher net revenue for 2020 included a $1.6 million one-time sale of used infusion pumps and elevated number of pumps in rental service. These decreases were partially offset by net revenues from the acquisitions of FilAMed and OB Healthcare which were acquired during the first quarter of 2021 and second quarter of 2021, respectively.

Gross Profit (inclusive of certain inter-segment allocations)

Gross profit for the second quarter of 2021 of $15.1 million decreased $0.9 million, or 5.8%, from $16.0 million for the second quarter of 2020. The decrease was driven by the decrease in net revenues and a lower gross profit as a percentage of net revenue ("gross margin"). Gross margin was 60.6% during the second quarter of 2021 as compared to 61.5% during the prior year, a decrease of 0.9%. Gross margin decreased in both the DME Services and ITS segments.

ITS

ITS gross profit was $10.5 million during the second quarter of 2021, representing an increase of $0.2 million compared to the prior year. The improvement reflected an increase in net revenues offset partially by a lower gross margin, which decreased from the prior year by 1.9% to 64.0%. The lower gross margin was the result of higher pump maintenance expenses as compared to the prior year. Pump maintenance expenses, which include preventative maintenance, cleaning and repair services mainly performed by the DME Services segment, were unusually low during the 2020 second quarter due to COVID-19 when we deployed a significant number of newly purchased pumps.

DME Services

DME Services gross profit during the second quarter of 2021 was $4.6 million, representing a decrease of $1.1 million, or 19.3%, compared to the prior year. This decrease was due to the decrease in net revenues and a slightly lower gross margin. The DME gross margin was 54.1% during the current quarter, which was 0.7% lower than the prior year. This decrease was the result of gross margin mix associated with lower rental revenues.

Provision for Doubtful Accounts

Provision for doubtful accounts for the second quarter of 2021 included a favorable accrual reversal resulting in the net amount to be a small benefit during the period as compared to a $0.2 million expense recorded for the second quarter of 2020. The accrual reversal was the result of improved collections on late accounts.

Selling and Marketing Expenses

Selling and marketing expenses for the second quarter of 2021 were $2.7 million, representing an increase of $0.2 million, or 9.4%, as compared to the second quarter of 2020. Selling and marketing expenses as a percentage of net revenues increased to 10.8% compared to the prior year period at 9.4%. This increase reflected higher customer travel expenses and higher expenses for NPWT dedicated sales personnel hired during the 2021 second quarter. These amounts were partially offset by a reduction in expenses associated with a sales team reorganization completed in late 2020. The higher travel expenses occurred as travel restrictions related to COVID-19 were lifted earlier during the year. During the second quarter of 2020, when the COVID-19 related travel restrictions were at their peak, our sales team generally did not travel. 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.

General and Administrative Expenses

General and administrative ("G&A") expenses for the second quarter of 2021 were $10.6 million, an increase of 37.7% from $7.7 million for the second quarter of 2020. 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 $2.9 million was largely due to an increase in stock-based compensation expense of $1.0 million, lower than normal expenses during the second quarter of 2020 due to COVID-19 related deferrals of various internal projects of nearly $1.0 million and the additional G&A expenses and acquisition expenses for FilAMed and OB Healthcare totaling $0.2 million. The additional increase of $0.7 million included higher personnel and general business expenses. G&A expenses as a percentage of net revenues for the second quarter of 2021, increased to 42.8% compared to 29.7% for the prior year mainly reflecting the year-over-year increases partially offset by improved net revenue leverage over fixed costs.

Other Expenses

During the second quarter of 2021, other expense included interest expense of $0.3 million which was slightly lower than interest expense for the second quarter of 2020. This decrease resulted from lower average outstanding debt balances offset by higher weighted average interest rates and additional commitment fees on a higher unused revolving line availability during the second quarter of 2021 as compared to 2020.

Benefit From (Provision For) Income Taxes

During the second quarter of 2021, the Company recorded a benefit from income taxes totaling $0.5 million. This amount included an excess tax benefit associated with a higher amount of equity compensation expense deductible for tax purposes as compared to amounts historically recognized for book purposes on exercises of stock options and vesting of restricted stock during the quarter. This benefit was partially offset by an estimated tax provision totaling $0.2 million representing an effective tax rate of 33.4% on pre-tax income totaling $0.3 million. This effective tax rate differed from the U.S. statutory rate mainly due to the effects of local, state and foreign jurisdiction income taxes.

As of December 31, 2020, the Company had generated significant pre-tax income on a three-year cumulative basis prompting management to assess available positive and negative evidence regarding the recovery of our net deferred tax assets. Due to this assessment, it was determined that it is more likely than not that the Company will recognize the benefits of its federal and state net deferred tax assets and, as a result, a previously recorded valuation allowance was released. Prior to this date, our tax provisions and benefits were significantly offset by adjustments to the valuation allowance.

During the second quarter of 2020, we recorded a provision for income taxes of less than $0.1 million, representing an effective tax rate of less than 1.0% on pre-tax earnings totaling $4.2 million. The effective tax rates differed from the U.S. statutory rates during this period due mainly to the availability of net operating losses almost fully offsetting the then current tax provision in most jurisdictions we operated in and a decrease in the valuation reserve recorded on our net deferred tax assets, which fully offset our deferred tax provision during that period.

InfuSystem Holdings, Inc. Results of Operations for the Six Months Ended June 30, 2021 Compared to the Six Months Ended June 30, 2020

The following represents the Company's results of operations for the six months ended June 30, 2021 and 2020:

(in thousands, except share and per share data)	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020	Better/ (Worse)
Net revenues:			
ITS	$ 32,245	$ 29,731	$ 2,514
DME Services (inclusive of inter-segment revenues)	20,096	20,317	(221)
Less: elimination of inter-segment revenues	(3,044)	(2,496)	(548)
Total	49,297	47,552	1,745
Gross profit (inclusive of certain inter-segment allocations) (a):			
ITS	20,454	19,385	1,069
DME Services	9,172	9,256	(84)
Total	29,626	28,641	985
Selling, general and administrative expenses			
Provision for doubtful accounts	(109)	523	632
Amortization of intangibles	2,139	2,150	11
Selling and marketing	5,056	5,067	11
General and administrative	20,971	16,362	(4,609)
Total selling, general and administrative expenses	28,057	24,102	(3,955)
Operating income	1,569	4,539	(2,970)
Other expense	(745)	(763)	18
Income before income taxes	824	3,776	(2,952)
Benefit from (provision for) income taxes	657	(54)	711
Net income	$ 1,481	$ 3,722	$ (2,241)
Net income per share:			
Basic	$ 0.07	$ 0.19	$ (0.12)
Diluted	$ 0.07	$ 0.17	$ (0.10)
Weighted average shares outstanding:			
Basic	20,413,416	20,000,444	412,972
Diluted	22,017,455	21,598,071	419,384

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

Net Revenues

Net revenues for the six-month period ended June 30, 2021 (“first half of 2021”) were $49.3 million, an increase of $1.7 million, or 3.7%, compared to $47.6 million for the six-month period ended June 30, 2020 (“first half of 2020”). The increase was due to higher service volumes for all three ITS Segment therapies, improved collections on billings offset partially by lower medical equipment sales in the DME Services Segment.

ITS

ITS net revenue of $32.2 million increased $2.5 million, or 8.5%, during the first half of 2021 as compared to the prior year period. This increase was primarily attributable to growth in the Company’s customer base due to favorable changes in the competitive environment for oncology services, higher service volumes for Pain Management and new revenues from NPWT. Adding to these increases was improved third-party payer collections on billings and other market-related organic growth. Pain Management net revenue for the first half of 2021 increased as compared to the first half of 2020 due to additional sites of care added over the last year and a recovery in the elective surgeries market which was negatively impacted by COVID-19 during the second quarter of 2020. The new NPWT business was launched during the first quarter of 2020 but did not start to have measurable quarterly revenues until the second half of 2020. On a combined basis, Pain Management and NPWT net revenues increased by $1.3 million during the first half of 2021 as compared to the same period in 2020, which represented an increase of 104%.

DME Services

DME Services net revenue of $17.1 million, decreased $0.8 million, or 4.3%, during the first half of 2021 as compared to the prior year period. This decrease was mainly due to a moderation in market demand for infusion pumps which was elevated during the second quarter of 2020 because of the COVID-19 pandemic partially offset by expansion of our market share with national home infusion service providers, the addition of new devices to our product offerings stemming from new partnerships with certain medical device manufacturers and revenues from FilAMed and OB Healthcare which were acquired during the first quarter of 2021 and second quarter of 2021, respectively.

Gross Profit (inclusive of certain inter-segment allocations)

Gross profit for the first half of 2021 of $29.6 million increased $1.0 million, or 3.4%, from $28.6 million for the first half of 2020. This increase was due to the increase in net revenues. Gross margin decreased slightly to 60.1% during the first half of 2021 as compared to 60.2% during the prior year. This increase was due to an increase in gross margin for the DME Services segment partially offset by lower gross margin for the ITS segment.

ITS

ITS gross profit was $20.5 million during the first half of 2021, representing an increase of $1.1 million, or 5.5%, compared to the prior year. The improvement reflected an increase in net revenues offset partially by a lower gross margin, which decreased from the prior year by 1.8% to 63.4%. The lower gross margin was the result of a non-cash reserve adjustment of $0.4 million recorded for missing medical equipment, higher pump maintenance expenses offset partially by improved collections on billings during the current period. The reserve adjustment for missing equipment was significantly higher than normal, occurred only in the first quarter of 2021 and is not expected to recur. Pump maintenance expenses, which include preventative maintenance, cleaning and repair services mainly performed by the DME Services segment, were unusually low during the prior year due to COVID-19 when the Company deployed a significant number of newly purchased pumps.

DME Services

DME Services gross profit during the first half of 2021 was $9.2 million, representing a slight decrease of $0.1 million, or 0.9%, over the prior year. This decrease was due to the decrease in net revenues offset partially by a higher gross margin. The DME gross margin was 53.8% during the current period, which was 1.8% higher than the prior year. This increase was the result of improved gross margin mix associated with higher rental and service revenues.

Provision for Doubtful Accounts

Provision for doubtful accounts for the first half of 2021 included a favorable accrual reversal resulting in the net amount to be a benefit of $0.1 million during the period as compared to a $0.5 million expense recorded for the first half of 2020. The accrual reversal was the result of improved collections on late accounts.

Selling and Marketing Expenses

Selling and marketing expenses for the first half of 2021 were $5.1 million, which was about equal to the amount during the first half of 2020. Selling and marketing expenses as a percentage of net revenues decreased to 10.3% compared to the prior year period at 10.7%. The amount included decreases that reflected a shift in the proportion of net revenue favoring the DME Services segment, which has a lower commission to sales ratio than the ITS segment, and improved net revenue leverage of fixed selling and marketing expenses. These decreases were partially offset by higher customer travel expenses and higher expenses for NPWT dedicated sales personnel hired during the 2021 second quarter. 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.

General and Administrative Expenses

G&A expenses for the first half of 2021 were $21.0 million, an increase of $4.6 million or 28.2% from the first half of 2020. 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 was largely due to an increase in stock-based compensation expense of $2.4 million, lower than normal expenses during the second quarter of 2020 due to COVID-19 related deferrals of various internal projects of nearly $1.0 million and the additional G&A expenses and acquisition expenses for FilAMed and OB Healthcare totaling $0.2 million. The additional increase of $1.0 million included higher personnel and general business expenses. G&A expenses as a percentage of net revenues for the first half of 2021, increased to 42.5% compared to 34.4% for the prior year mainly reflecting the year-over-year increases partially offset by improved net revenue leverage over fixed costs.

Other Income and Expenses

During the first half of 2021, other income and expense included interest expense of $0.6 million which was $0.1 million lower than interest expense for the first half of 2020. This decrease resulted from lower average outstanding debt balances offset by higher weighted average interest rates and additional commitment fees on a higher unused revolving line availability during the first half of 2021 as compared to 2020.

Benefit From (Provision For) Income Taxes

During the first half of 2021, the Company recorded a benefit from income taxes totaling $0.7 million. This amount included a benefit due to an excess tax benefit associated with a higher amount of equity compensation expense deductible for tax purposes as compared to amounts historically recognized for book purposes on exercises of stock options and vesting of restricted stock during the first half of 2021. This benefit was partially offset by an estimated tax provision totaling $0.3 million representing an effective tax rate of 33.4% on pre-tax income totaling $0.8 million. This effective tax rate differed from the U.S. statutory rate mainly due to the effects of local, state and foreign jurisdiction income taxes.

During the first half of 2020, we recorded a provision for income taxes of less than $0.1 million, representing a negative effective tax rate of 1.4% on pre-tax earnings of $3.8 million. The effective tax rate during this period differed from the U.S. statutory rates during this period due mainly to the availability of net operating losses almost fully offsetting the then current tax provision in most jurisdictions we operated in and a decrease in the valuation reserve recorded on our net deferred tax assets, which fully offset our deferred tax provision during that period.

Liquidity and Capital Resources

Overview:

We finance our operations and capital expenditures with internally-generated cash from operations and borrowings under our credit facilities. 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, and the lenders party thereto, which replaced our then existing credit facility, dated March 23, 2015 (the "2015 Credit Agreement"). See Note 8 (Debt) in the notes to the accompanying unaudited condensed consolidated financial statements for additional information regarding the 2021 Credit Agreement and 2015 Credit Agreement.

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

Liquidity

	June 30, 2021	December 31, 2020
Cash and cash equivalents	$ 0.2	$ 9.6
Revolving line of credit	42.0	10.8
Available liquidity	$ 42.2	$ 20.4

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, 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 for at least the next year. 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. 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 Company executed and closed the 2021 Credit Agreement during the first quarter of 2021, and in connection with entering into that agreement, terminated the 2015 Credit Agreement. For the following table, the figures related to the June 30, 2021 revolving credit facility (the "Revolving Facility") balances relate to the 2021 Credit Agreement, while the December 31, 2020 revolving credit facility balances relate to the now-terminated 2015 Credit Agreement. The following table illustrates the net availability under the revolving credit facilities as of the applicable balance sheet date (in thousands):

	June 30, 2021	December 31, 2020
Revolving Facility:		
Gross availability	$ 75,000	$ 11,750
Outstanding draws	(32,203)	-
Letters of credit	(800)	(800)
Landlord reserves	-	(162)
Availability on Revolving Facility	$ 41,997	$ 10,788

As of June 30, 2021, amounts outstanding under the Revolving Facility provided under the 2021 Credit Agreement bear interest at a variable rate equal to, at the Company's election, a LIBO Rate for Eurodollar loans or an Alternative Base Rate for ABR loans, as defined by the 2021 Credit Agreement, plus a spread that will vary depending upon the Company's leverage ratio. The spread ranges from 2.00% to 3.00% for Eurodollar Loans and 1.00% to 2.00% for base rate loans. The weighted-average Eurodollar loan rate at June 30, 2021 was 2.08% (LIBO of 0.08% plus 2.00%). The actual ABR loan rate at June 30, 2021 was 4.25% (lender's prime rate of 3.25% plus 1.00%). As of June 30, 2021, the Company was in compliance with all debt-related covenants under the 2021 Credit Agreement.

Share Repurchase Program

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. The 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 2021 Credit Agreement. Repurchases under the program may take place in the open market or in privately negotiated transactions and may be made under a Rule 10b5-1 plan. The repurchase program does not obligate the Company to repurchase shares and may be suspended, terminated, or modified at any time.

As of June 30, 2021, the Company had not repurchased any shares under the Share Repurchase Program.

Cash Flows:

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

In millions	Six months ended June 30, 2021	Six months ended June 30, 2020	2021 vs. 2020
Net cash provided by operating activities	$ 8.8	$ 4.3	$ 4.6
Net cash used in investing activities	$ (11.3)	$ (8.5)	$ (2.8)
Net cash (used in) provided by financing activities	$ (7.0)	$ 2.1	$ (9.1)

Operating Cash Flow. Net cash provided by operating activities for the first half of 2021 was $8.8 million compared to $4.3 million for the first half of 2020. This $4.6 million, or 107%, increase was primarily attributable to the positive cash flow effect of increases in net income adjusted for non-cash items of $11.3 million during the first half of 2021 as compared to $8.6 million during the first half of 2020, an increase of $2.7 million, or 31.5%. In addition to this improvement, a lower use of cash associated with a net increase in working capital balances during the first half of 2021 as compared to 2020 resulted in an additional increase in operating cash flow of $1.8 million. These working capital balances included accounts receivable, inventory and accounts payable. Accounts receivable increased by $0.3 million during the first half of 2021 as compared to $2.1 million during the prior year mainly due to a lower growth in net revenues during the first half of 2021 as compared to the prior year. Inventory increased by $0.7 million during the first half of 2021, which was lower than in the prior year of $1.4 million when the Company purchased a safety stock of disposable medical supplies in anticipation of potential supply disruptions as the COVID-19 pandemic began to unfold. Accounts payable and other liabilities, net of capital items, decreased by $1.6 million during the first half of 2021, which was higher than the prior year decrease of $1.0 million as a result of the increase in purchases of disposable medical supplies related to the increase in inventory and the higher amount of revenue growth during that period.

Investing Cash Flow. Net cash used in investing activities was $11.3 million for the first half of 2021 compared to $8.5 million for the first half of 2020, an increase of $2.8 million. The increase was due to the acquisitions of FilAMed and OB Healthcare totaling $7.5 million during the first half of 2021. There were no acquisitions during 2020. This amount was partially offset by a decrease in cash used to purchase medical equipment and other property and equipment of $3.8 million and $0.4 million, respectively. Purchases of medical equipment were higher during 2020 since, during that period, the Company was adding additional equipment to prepare for the onset of COVID-19 which, at the time, was causing an increased market demand for the Company's services while also potentially threatening the supply chain for new medical equipment.

Financing Cash Flow. Net cash used in financing activities for the first half of 2021 was $7.0 million compared to cash provided of $2.1 million for the first half of 2020. The use of cash during 2021 was mainly related to the refinancing of our bank debt on February 5, 2021. Prior to that date, we operated under the 2015 Credit Agreement which included three term notes and a revolving line of credit. At the beginning of the first half of 2021, we had $9.6 million in cash on hand and no outstanding borrowings under the revolving line of credit. The 2015 Credit Agreement was completely repaid and replaced by the 2021 Credit Agreement, which has a new $75 million revolving line of credit and no term notes. This structure allowed the Company to use a portion of its available cash to reduce its overall outstanding debt. The amount of cash provided by financing activities during the first half of 2020 was mainly attributable to net revolving line of credit borrowings under the 2015 Credit agreement offset partially by scheduled principal payments on the related term notes. This net borrowing was used along with a portion of our available cash to fund our purchases of medical equipment during that period.

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, 2020 filed with the SEC on March 22, 2021. 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, 2020.

As of the date of the unaudited condensed consolidated financial statements presented in this Form 10-Q, there have been no material negative financial impacts on our operations resulting from the COVID-19 pandemic. However, the future effects of this pandemic or any resurgence thereof on economic and market conditions is uncertain and increases the subjectivity that will be involved in evaluating our estimates and assumptions underlying our critical accounting policies. Any events and changes in circumstances arising after June 30, 2021, including those resulting from the impacts of the COVID-19 pandemic, will be reflected in management's estimates for future periods.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures and Changes in Internal Control over Financial Reporting

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 effective.

There has been no change in our internal control over financial reporting during our most recent calendar quarter that has materially affected, or is 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, 2020 filed with the SEC on March 22, 2021.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

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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**	InfuSystem Holdings, Inc. 2021 Equity Incentive Plan (incorporated by reference to Exhibit 99.1 to the Company's Registration Statement on Form S-8 (File No. 333-256231) filed on May 18, 2021).
10.2**	Form of Nonqualified Stock Option Agreement (Non-employee Directors) under the InfuSystem Holdings, Inc. 2021 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on May 24, 2021).
10.3**	Form of Nonqualified Stock Option Agreement (Employees) under the InfuSystem Holdings, Inc. 2021 Equity Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on May 24, 2021).
10.4**	Form of Restricted Stock Unit Agreement (Time-based Vesting) under the InfuSystem Holdings, Inc. 2021 Equity Incentive Plan (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on May 24, 2021).
10.5**	Form of Restricted Stock Unit Agreement (Performance-based Vesting) under the InfuSystem Holdings, Inc. 2021 Equity Incentive Plan (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on May 24, 2021).
10.6**	First Amended and Restated Employment Agreement, dated May 24, 2021, by and between the Company and Richard DiIorio (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on May 24, 2021).
10.7**	First Amended and Restated Employment Agreement, dated May 24, 2021, by and between the Company and Barry Steele (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on May 24, 2021).
10.8**	First Amended and Restated Employment Agreement, dated May 24, 2021, by and between the Company and Carrie Lachance (incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on May 24, 2021).
10.9**	First Amended and Restated Employment Agreement, dated May 24, 2021, by and between the Company and Jeannine Sheehan (incorporated by reference to Exhibit 10.8 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on May 24, 2021).
10.10**	First Amended and Restated Employment Agreement, dated May 24, 2021, by and between the Company and Tom Ruiz (incorporated by reference to Exhibit 10.9 to the Company's Current Report on Form 8-K (File No. 1-35020) filed on May 24, 2021).
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.

Exhibits

101.INS*	Inline XBRL Instance Document – the instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL 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
**	Management contract or compensatory plan, contract or arrangement
***	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: August 12, 2021

/s/ Richard DiIorio
Richard DiIorio
Chief Executive Officer and Director
(Principal Executive Officer)

Date: August 12, 2021

/s/ Barry Steele
Barry Steele
Chief Financial Officer
(Principal Accounting and Financial Officer)

Exhibit 31.1

CERTIFICATION BY CHIEF EXECUTIVE OFFICER

I, Richard DiIorio, 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: August 12, 2021

/s/ Richard DiIorio

Richard DiIorio
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: August 12, 2021

/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 June 30, 2021 (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: August 12, 2021

/s/ Richard DiIorio
Richard DiIorio
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 June 30, 2021 (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: August 12, 2021

/s/ Barry Steele
Barry Steele
Chief Financial Officer