

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 March 31, 2023

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 May 5, 2023, 20,931,147 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)

| <i>(in thousands, except par value and share data)</i> | As of | |
|---|----------------|-------------------|
| | March 31, 2023 | December 31, 2022 |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 256 | \$ 165 |
| Accounts receivable, net | 18,266 | 16,871 |
| Inventories | 5,644 | 4,821 |
| Other current assets | 3,752 | 2,922 |
| Total current assets | 27,918 | 24,779 |
| Medical equipment for sale or rental | 3,042 | 2,790 |
| Medical equipment in rental service, net of accumulated depreciation | 38,620 | 39,450 |
| Property & equipment, net of accumulated depreciation | 4,391 | 4,385 |
| Goodwill | 3,710 | 3,710 |
| Intangible assets, net | 8,188 | 8,436 |
| Operating lease right of use assets | 4,295 | 4,168 |
| Deferred income taxes | 9,989 | 9,625 |
| Derivative financial instruments | 1,683 | 1,965 |
| Other assets | 425 | 80 |
| Total assets | \$ 102,261 | \$ 99,388 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 7,368 | \$ 8,341 |
| Current portion of long-term debt | — | — |
| Other current liabilities | 6,562 | 6,126 |
| Total current liabilities | 13,930 | 14,467 |
| Long-term debt, net of current portion | 36,386 | 33,157 |
| Operating lease liabilities, net of current portion | 3,684 | 3,761 |
| Total liabilities | 54,000 | 51,385 |
| Stockholders' equity: | | |
| Preferred stock, \$0.0001 par value: authorized 1,000,000 shares; none issued | — | — |
| Common stock, \$0.0001 par value: authorized 200,000,000 shares; 20,931,147 shares issued and outstanding as of March 31, 2023 and 20,781,977 shares issued and outstanding as of December 31, 2022 | 2 | 2 |
| Additional paid-in capital | 106,810 | 105,856 |
| Accumulated other comprehensive income | 1,270 | 1,489 |
| Retained deficit | (59,821) | (59,344) |
| Total stockholders' equity | 48,261 | 48,003 |
| Total liabilities and stockholders' equity | \$ 102,261 | \$ 99,388 |

See accompanying notes to unaudited condensed consolidated financial statements.

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

| <i>(in thousands, except share and per share data)</i> | Three Months Ended | |
|--|---------------------------|-------------|
| | March 31, | |
| | 2023 | 2022 |
| Net revenues | \$ 30,370 | \$ 26,763 |
| Cost of revenues | 14,830 | 11,396 |
| Gross profit | 15,540 | 15,367 |
| Selling, general and administrative expenses: | | |
| Provision for doubtful accounts | 114 | 47 |
| Amortization of intangibles | 248 | 710 |
| Selling and marketing | 3,224 | 3,319 |
| General and administrative | 12,061 | 11,816 |
| Total selling, general and administrative | 15,647 | 15,892 |
| Operating loss | (107) | (525) |
| Other expense: | | |
| Interest expense | (484) | (277) |
| Other income expense | (35) | (28) |
| Loss before income taxes | (626) | (830) |
| Benefit from income taxes | 302 | 462 |
| Net loss | \$ (324) | \$ (368) |
| Net loss per share: | | |
| Basic | \$ (0.02) | \$ (0.02) |
| Diluted | \$ (0.02) | \$ (0.02) |
| Weighted average shares outstanding: | | |
| Basic | 20,853,018 | 20,609,372 |
| Diluted | 20,853,018 | 20,609,372 |
| Comprehensive (loss) income: | | |
| Net loss | \$ (324) | \$ (368) |
| Other comprehensive (loss) income: | | |
| Unrealized (loss) gain on hedges | (282) | 905 |
| Benefit from (provision for) income tax on unrealized hedge gain | 63 | (218) |
| Net comprehensive (loss) income | \$ (543) | \$ 319 |

See accompanying notes to unaudited condensed consolidated financial statements.

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

| <i>(in thousands)</i> | Common Stock | | | | | Treasury Stock | | Total Stockholders' Equity |
|---|---------------|---------------------|-------------------------------|--------------------|---|----------------|---------------------|-------------------------------|
| | Shares | Par Value Amount | Additional Paid in Capital | Retained Deficit | Accumulated Other Comprehensive Income | Shares | Par Value Amount | |
| Balances at December 31, 2021 | 20,700 | \$ 2 | \$ 101,905 | \$ (53,903) | \$ 268 | — | \$ — | \$ 48,272 |
| Stock-based shares issued upon vesting - gross | 125 | — | 239 | — | — | — | — | 239 |
| Stock-based compensation expense | — | — | 1,047 | — | — | — | — | 1,047 |
| Employee stock purchase plan | 28 | — | 236 | — | — | — | — | 236 |
| Common stock repurchased as part of share repurchase program | (310) | — | — | (4,006) | — | — | — | (4,006) |
| Common stock repurchased to satisfy minimum statutory withholding on stock-based compensation | (3) | — | (54) | — | — | — | — | (54) |
| Other comprehensive income | — | — | — | — | 687 | — | — | 687 |
| Net loss | — | — | — | (368) | — | — | — | (368) |
| Balances at March 31, 2022 | 20,540 | \$ 2 | \$ 103,373 | \$ (58,277) | \$ 955 | — | \$ — | \$ 46,053 |
| Balances at December 31, 2022 | 20,782 | \$ 2 | \$ 105,856 | \$ (59,344) | \$ 1,489 | — | \$ — | \$ 48,003 |
| Stock-based shares issued upon vesting - gross | 167 | — | 315 | — | — | — | — | 315 |
| Stock-based compensation expense | — | — | 720 | — | — | — | — | 720 |
| Employee stock purchase plan | 41 | — | 243 | — | — | — | — | 243 |
| Common stock repurchased as part of share repurchase program | (22) | — | — | (153) | — | — | — | (153) |
| Common stock repurchased to satisfy minimum statutory withholding on stock-based compensation | (37) | — | (324) | — | — | — | — | (324) |
| Other comprehensive loss | — | — | — | — | (219) | — | — | (219) |
| Net loss | — | — | — | (324) | — | — | — | (324) |
| Balances at March 31, 2023 | 20,931 | \$ 2 | \$ 106,810 | \$ (59,821) | \$ 1,270 | — | \$ — | \$ 48,261 |

See accompanying notes to unaudited condensed consolidated financial statements.

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

| <i>(in thousands)</i> | Three Months Ended March 31, | |
|--|-------------------------------------|----------------|
| | 2023 | 2022 |
| OPERATING ACTIVITIES | | |
| Net loss | \$ (324) | \$ (368) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Provision for doubtful accounts | 114 | 47 |
| Depreciation | 2,955 | 2,706 |
| Loss on disposal of and reserve adjustments for medical equipment | 450 | 275 |
| Gain on sale of medical equipment | (883) | (228) |
| Amortization of intangible assets | 248 | 710 |
| Amortization of deferred debt issuance costs | 18 | 18 |
| Stock-based compensation | 720 | 1,047 |
| Deferred income taxes | (302) | (462) |
| Changes in assets - (increase)/decrease: | | |
| Accounts receivable | (961) | (1,278) |
| Inventories | (823) | 61 |
| Other current assets | (830) | (50) |
| Other assets | (846) | (41) |
| Changes in liabilities - increase: | | |
| Accounts payable and other liabilities | 313 | 1,641 |
| NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES | (151) | 4,078 |
| INVESTING ACTIVITIES | | |
| Purchase of medical equipment | (3,968) | (2,931) |
| Purchase of property and equipment | (317) | (178) |
| Proceeds from sale of medical equipment, property and equipment | 1,234 | 966 |
| NET CASH USED IN INVESTING ACTIVITIES | (3,051) | (2,143) |
| FINANCING ACTIVITIES | | |
| Principal payments on long-term debt | (13,683) | (10,696) |
| Cash proceeds from long-term debt | 16,894 | 12,529 |
| Common stock repurchased as part of share repurchase program | (153) | (4,006) |
| Common stock repurchased to satisfy statutory withholding on employee stock-based compensation plans | (324) | (54) |
| Cash proceeds from stock plans | 559 | 511 |
| NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES | 3,293 | (1,716) |
| Net change in cash and cash equivalents | 91 | 219 |
| Cash and cash equivalents, beginning of period | 165 | 186 |
| Cash and cash equivalents, end of period | \$ 256 | \$ 405 |

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 Company operates in two reportable segments, Integrated Therapy Services (“ITS”) and Durable Medical Equipment Services (“DME Services”).

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

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

2. Recent Accounting Pronouncements and Developments

In June 2016, 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. The Company’s adoption of this standard on January 1, 2023 did not have a material effect on its consolidated balance sheets, statements of operations, statements of cash flows or related disclosures.

3. Revenue Recognition

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

| | 2023 | | Three Months Ended March 31, | | 2022 | |
|-----------------------------------|--------------------|----------------------------------|---------------------------------|----------------------------------|--------------------|----------------------------------|
| | Total Net Revenues | Percentage of Total Net Revenues | Total Net Revenues | Percentage of Total Net Revenues | Total Net Revenues | Percentage of Total Net Revenues |
| ITS Third-Party Payer Rentals | \$ 14,808 | 48.8 % | \$ 13,368 | 50.0 % | | |
| DME Services Direct Payer Rentals | 4,507 | 14.9 % | 4,775 | 17.8 % | | |
| ITS Direct Payer Rentals | 3,472 | 11.4 % | 3,187 | 11.9 % | | |
| DME Services Product Sales | 3,739 | 12.3 % | 3,658 | 13.7 % | | |
| DME Services - Service | 3,350 | 11.0 % | 1,689 | 6.3 % | | |
| ITS Product Sales | 494 | 1.6 % | 86 | 0.3 % | | |
| Total | \$ 30,370 | 100.0 % | \$ 26,763 | 100.0 % | | |

4. Medical Equipment

Medical equipment consisted of the following (in thousands):

| | March 31, 2023 | December 31, 2022 |
|---|-------------------|-------------------|
| Medical equipment for sale or rental | \$ 3,054 | \$ 2,802 |
| Medical equipment for sale or rental - pump reserve | (12) | (12) |
| Medical equipment for sale or rental - net | 3,042 | 2,790 |
| Medical equipment in rental service | 100,026 | 99,163 |
| Medical equipment in rental service - pump reserve | (2,427) | (2,270) |
| Accumulated depreciation | (58,979) | (57,443) |
| Medical equipment in rental service - net | 38,620 | 39,450 |
| Total | \$ 41,662 | \$ 42,240 |

Depreciation expense for medical equipment for the three months ended March 31, 2023 was \$2.7 million, compared to \$2.4 million for the same prior year period. This expense was recorded in "cost of revenues" for each period. The pump reserve for medical equipment in rental service represents an estimate for medical equipment that is considered to be missing. The reserve calculated is equal to the net book value of assets that have not returned from the field within a certain timeframe. During the three month period ended June 30, 2022, the Company changed its estimate for missing pumps by shortening the time estimate of when a pump is considered missing. As a result of this change in estimate, the Company had a higher amount recorded for the pump reserve as of March 31, 2023 and higher expense included in cost of sales for the three months ended March 31, 2023 by \$0.1 million as compared to the three months ended March 31, 2022.

5. Property and Equipment

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

| | March 31, 2023 | | | December 31, 2022 | | |
|------------------------------------|-----------------------|--------------------------|-----------------|--------------------------|--------------------------|-----------------|
| | Gross Assets | Accumulated Depreciation | Total | Gross Assets | Accumulated Depreciation | Total |
| Furniture, fixtures, and equipment | \$ 5,986 | \$ (3,428) | \$ 2,558 | \$ 5,710 | \$ (3,252) | \$ 2,458 |
| Automobiles | 87 | (85) | 2 | 87 | (83) | 4 |
| Leasehold improvements | 3,498 | (1,667) | 1,831 | 3,498 | (1,575) | 1,923 |
| Total | \$ 9,571 | \$ (5,180) | \$ 4,391 | \$ 9,295 | \$ (4,910) | \$ 4,385 |

Depreciation expense for property and equipment for both the three months ended March 31, 2023 and 2022 was \$0.3 million. This expense was recorded in “general and administrative expenses” for each period.

6. Goodwill & Intangible Assets

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

| | DME Services (a) |
|---------------------------------|-------------------------|
| Balance as of December 31, 2022 | \$ 3,710 |
| Goodwill acquired | — |
| Balance as of March 31, 2023 | <u>\$ 3,710</u> |

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

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

| | March 31, 2023 | | | December 31, 2022 | | |
|---|-----------------------|---------------------------------|-----------------|--------------------------|---------------------------------|-----------------|
| | 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 | (33,769) | 5,065 | 38,834 | (33,594) | 5,240 |
| Non-competition agreements | 472 | (185) | 287 | 472 | (161) | 311 |
| Unpatented technology | 943 | (292) | 651 | 943 | (258) | 685 |
| Software | 10,300 | (10,115) | 185 | 10,300 | (10,100) | 200 |
| Total nonamortizable and amortizable intangible assets | <u>\$ 52,572</u> | <u>\$ (44,384)</u> | <u>\$ 8,188</u> | <u>\$ 52,572</u> | <u>\$ (44,136)</u> | <u>\$ 8,436</u> |

Amortization expense for the three months ended March 31, 2023 was \$0.2 million, compared to \$0.7 million for the same prior year period. 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 March 31, 2023 is as follows (in thousands):

| | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 and thereafter | Total |
|----------------------|-------------|-------------|-------------|-------------|-------------|----------------------------|--------------|
| Amortization expense | \$ 743 | \$ 990 | \$ 810 | \$ 524 | \$ 471 | \$ 2,650 | \$ 6,188 |

7. Debt

On February 5, 2021, the Company entered into a Credit Agreement (the “2021 Credit Agreement”) with JPMorgan Chase Bank, N.A., as administrative agent (the “Agent”), sole bookrunner and sole lead arranger, and the lenders party thereto. The borrowers under the 2021 Credit Agreement are the Company, InfuSystem Holdings USA, Inc. (“Holdings”), InfuSystem,

Inc. (“ISI”), First Biomedical, Inc. (“First Biomedical”), and IFC LLC (“IFC” and, collectively with the Company, Holdings, ISI and First Biomedical, the “Borrowers”).

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

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

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

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

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

On 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 were repaid and all liens under the 2015 Credit Agreement were 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.

The 2021 Credit Agreement was accounted for as a debt modification. As of March 31, 2023, the Company was in compliance with all debt-related covenants under the 2021 Credit Agreement.

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

| | <u>March 31,</u> <u>2023</u> | <u>December 31,</u> <u>2022</u> |
|------------------------------------|---------------------------------|------------------------------------|
| Revolving Facility: | | |
| Gross availability | \$ 75,000 | \$ 75,000 |
| Outstanding draws | (36,594) | (33,384) |
| Letter of credit | (400) | (400) |
| Availability on Revolving Facility | <u>\$ 38,006</u> | <u>\$ 41,216</u> |

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

| | 2023 | 2024 | 2025 | 2026 | 2027 and thereafter | Total |
|--------------------|------|------|------|-----------|---------------------|-----------|
| Revolving Facility | \$ — | \$ — | \$ — | \$ 36,594 | \$ — | \$ 36,594 |
| Total | \$ — | \$ — | \$ — | \$ 36,594 | \$ — | \$ 36,594 |

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

| | March 31, 2023 | | | December 31, 2022 | | |
|--|-----------------|-------------------|-----------|-------------------|-------------------|-----------|
| | Current Portion | Long-Term Portion | Total | Current Portion | Long-Term Portion | Total |
| Revolving Facility | \$ — | \$ 36,594 | \$ 36,594 | \$ — | \$ 33,384 | \$ 33,384 |
| Unamortized value of debt issuance costs | — | (208) | (208) | — | (227) | (227) |
| Total | \$ — | \$ 36,386 | \$ 36,386 | \$ — | \$ 33,157 | \$ 33,157 |

As of March 31, 2023, 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, LIBOR 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 March 31, 2023 was 7.00% (LIBOR of 4.75% plus 2.25%). The actual ABR loan rate at March 31, 2023 was 9.25% (lender's prime rate of 8.00% plus 1.25%).

Subsequent Event - Amendment to Credit Facility

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

8. Derivative Financial Instruments and Hedging Activities

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

The Company is exposed to interest rate risk related to its variable rate debt obligations under the 2021 Credit Agreement. In order to manage the volatility in interest rate markets, in February 2021, the Company entered into two interest rate swap agreements to manage exposure arising from this risk. On a combined basis, the agreements 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 tables below present the location and gross fair value amounts of the Company's derivative financial instruments and the associated notional amounts designated as cash flow hedges as of the applicable balance sheet date (in thousands):

| | March 31, 2023 | | |
|--|------------------------|-----------|------------------------------|
| | Balance Sheet Location | Notional | Fair Value Derivative Assets |
| Derivatives designated as hedges: | | | |
| Cash flow hedges | | | |
| Interest rate swaps | Other assets | \$ 20,000 | \$ 1,683 |

| | December 31, 2022 | | |
|--|------------------------|-----------|------------------------------|
| | Balance Sheet Location | Notional | Fair Value Derivative Assets |
| Derivatives designated as hedges: | | | |
| Cash flow hedges | | | |
| Interest rate swaps | Other assets | \$ 20,000 | \$ 1,683 |

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

| | Three Months Ended March 31, | |
|---|------------------------------|--------|
| | 2023 | 2022 |
| Gain on cash flow hedges - interest rate swaps | | |
| Beginning balance | \$ 1,489 | \$ 268 |
| Unrealized gain recognized in AOCI | (92) | 877 |
| Amounts reclassified to interest expense (a) (b) | (190) | 28 |
| Tax provision | 63 | (218) |
| Ending balance | \$ 1,270 | \$ 955 |

(a) Negative amounts represent interest income and positive amounts represent interest expense. Interest expense as presented in the condensed consolidated statement of operations and comprehensive income for the three months ended March 31, 2023 and 2022 was \$0.5 million and \$0.3 million, respectively.

(b) As of March 31, 2023, \$0.8 million of income is expected to be reclassified into earnings within the next 12 months.

The Company did not incur any hedge ineffectiveness during the three months ended March 31, 2023.

9. Income Taxes

During the three months ended March 31, 2023, the Company recorded a benefit from income taxes of \$0.3 million. The income tax benefit for the three months ended March 31, 2023 relates principally to the Company's pre-tax losses during the period and also includes a benefit from excess tax benefits on exercises of stock options and vesting of restricted stock during the period. For the three months ended March 31, 2022, the Company recorded a benefit from income taxes of \$0.5 million.

10. Commitments, Contingencies and Litigation

From time to time in the ordinary course of its business, the Company may be involved in legal and regulatory proceedings, the outcomes of which may not be determinable. The results of litigation and regulatory proceedings are inherently unpredictable. Any claims against the Company, whether meritorious or not, could be time consuming, result in costly litigation, require significant amounts of management time and result in diversion of significant resources. The Company is not able to estimate an aggregate amount or range of reasonably possible losses for those legal matters for which losses are

not probable and estimable, primarily for the following reasons: (i) many of the relevant legal proceedings are in preliminary stages and, until such proceedings develop further, there is often uncertainty regarding the relevant facts and circumstances at issue and potential liability; and (ii) many of these proceedings involve matters of which the outcomes are inherently difficult to predict. The Company has insurance policies covering potential losses where such coverage is cost effective.

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

11. Loss Per Share

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

| | Three Months Ended March 31, | |
|---|------------------------------|------------|
| | 2023 | 2022 |
| Numerator (<i>in thousands</i>): | | |
| Net loss: | \$ (324) | \$ (368) |
| Denominator: | | |
| Weighted average common shares outstanding: | | |
| Basic | 20,853,018 | 20,609,372 |
| Dilutive effect of common stock equivalents | — | — |
| Diluted | 20,853,018 | 20,609,372 |
| Net loss per share: | | |
| Basic | \$ (0.02) | \$ (0.02) |
| Diluted | \$ (0.02) | \$ (0.02) |

For both the three months ended March 31, 2023 and 2022, all outstanding options and unvested restricted stock units were anti-dilutive due to the Company's net losses for the periods and therefore not included in the calculation.

Share Repurchase Program

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

12. 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 are not considered in determining the lease term, and payments associated with the option years are excluded from lease payments. The Company's office leases do not contain any material residual value guarantees. The Company's equipment leases generally do not contain renewal options.

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

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

| | Three Months Ended March 31, | |
|----------------------|---------------------------------|---------------|
| | 2023 | 2022 |
| Operating lease cost | \$ 352 | \$ 329 |
| Variable lease cost | 76 | 74 |
| Total lease cost | <u>\$ 428</u> | <u>\$ 403</u> |

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

| | Three Months Ended March 31, | |
|---|---------------------------------|--------|
| | 2023 | 2022 |
| Cash paid for amounts included in the measurement of lease liabilities and right of use assets: | | |
| Operating cash flow from operating leases | \$ 449 | \$ 359 |
| Right of use assets obtained in exchange for lease obligations: | | |
| Operating leases | \$ 381 | \$ — |
| Increases to right of use assets resulting from lease modifications: | | |
| Operating leases | \$ 160 | \$ — |

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

| | As of March 31, | |
|--|-----------------|------|
| | 2023 | 2022 |
| Weighted average remaining lease term: | 6.2 | 6.2 |
| Weighted average discount rate: | 7.0% | 7.6% |

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

| | Operating Leases (a) |
|-----------------------------------|---------------------------------|
| 2023 | \$ 969 |
| 2024 | 1,235 |
| 2025 | 1,172 |
| 2026 | 998 |
| 2027 | 826 |
| 2028 and thereafter | 2,016 |
| Total undiscounted lease payments | 7,216 |
| Less: Imputed interest | (2,383) |
| Total lease liabilities | <u>\$ 4,833</u> |

(a) Excludes \$1.8 million of legally binding minimum lease payments for an office lease signed but not yet commenced. This lease has an expected term of 7 years and is expected to commence in the fourth quarter of 2023.

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

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

2023

| <i>(in thousands)</i> | ITS | DME Services | Corporate/ Eliminations | Total |
|--|------------|---------------------|------------------------------------|-----------------|
| Net revenues - external | \$ 18,774 | \$ 11,596 | \$ — | \$ 30,370 |
| Net revenues - internal | — | 1,630 | (1,630) | — |
| Total net revenues | 18,774 | 13,226 | (1,630) | 30,370 |
| Gross profit | 11,541 | 3,999 | — | 15,540 |
| Selling, general and administrative expenses | | | 15,647 | 15,647 |
| Interest expense | | | (484) | (484) |
| Other expense | | | (35) | (35) |
| Benefit from income taxes | | | 302 | 302 |
| Net loss | | | | <u>\$ (324)</u> |
| Total assets | \$ 62,769 | \$ 37,492 | \$ 2,000 | \$ 102,261 |
| Purchases of medical equipment | \$ 2,673 | \$ 1,295 | \$ — | \$ 3,968 |
| Depreciation and amortization of intangible assets | \$ 2,178 | \$ 1,025 | \$ — | \$ 3,203 |

2022

| <i>(in thousands)</i> | ITS | DME Services | Corporate/ Eliminations | Total |
|--|-----------|--------------|----------------------------|-----------------|
| Net revenues - external | \$ 16,641 | \$ 10,122 | \$ — | \$ 26,763 |
| Net revenues - internal | — | 1,488 | (1,488) | — |
| Total net revenues | 16,641 | 11,610 | (1,488) | 26,763 |
| Gross profit | 10,738 | 4,629 | — | 15,367 |
| Selling, general and administrative expenses | | | 15,892 | 15,892 |
| Interest expense | | | (277) | (277) |
| Other expense | | | (28) | (28) |
| Benefit from income taxes | | | 462 | 462 |
| Net loss | | | | <u>\$ (368)</u> |
| Total assets | \$ 61,991 | \$ 34,246 | \$ 2,000 | \$ 98,237 |
| Purchases of medical equipment | \$ 1,511 | \$ 1,420 | \$ — | \$ 2,931 |
| Depreciation and amortization of intangible assets | \$ 2,398 | \$ 1,018 | \$ — | \$ 3,416 |

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

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

Overview

We are a leading national health care service provider, facilitating outpatient care for Durable Medical Equipment manufacturers and health care providers. We provide our products and services to hospitals, oncology practices, ambulatory surgery centers, and other alternate site health care providers. Our headquarters is in Rochester Hills, Michigan, and we operate our business from a total of seven locations in the United States and Canada. We deliver local, field-based customer support, and we operate pump service and repair Centers of Excellence in Michigan, Kansas, California, Massachusetts, Texas and Ontario, Canada. InfuSystem, Inc., a wholly-owned subsidiary of the Company, is accredited by the Community Health Accreditation Partner (CHAP) while First Biomedical, Inc., a wholly-owned subsidiary of the Company, is 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) pump fleet of ambulatory and large volume infusion pumps for rent and for sale, which may allow us to be more responsive to the needs of physicians, outpatient oncology practices, hospitals, outpatient surgery centers, homecare practices, patient rehabilitation centers and patients than a new market entrant; (v) seven geographic locations in the U.S. and Canada that allow for same day or next day delivery of pumps; and (vi) pump repair and service capabilities at all of these facilities and at our customer's locations. We do not perform any research and development on pumps, but we have made, and continue to make, investments in our information technology.

Integrated Therapy Services ("ITS") Segment

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

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

We believe that oncology practitioners have a heightened sensitivity to providing quality service and to their ability to obtain reimbursement for services they provide. Simultaneously, the Center for Medicare and Medicaid Services and private insurers are increasingly focused on evidence-based medicine to inform their reimbursement decisions — that is, aligning

reimbursement with clinical outcomes and adherence to standards of care. Continuous infusion therapy is a main component of the standard of care for certain types of cancers because clinical evidence demonstrates superior outcomes. Payers' recognition of this benefit is reflected in their relative reimbursement policies for clinical services related to the delivery of this care.

Additional areas of focus for our 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.
- Wound Care - launched in November 2022, the Company established a partnership, SI Wound Care, LLC ("SI Wound Care"), with Sanara MedTech Inc. ("Sanara"). The partnership will focus on delivering a complete wound care solution targeted at improving patient outcomes, lowering the cost of care, and increasing patient and provider satisfaction. The partnership is expected to enable InFuSystem to offer innovative products including negative pressure wound therapy ("NPWT") devices and supplies from Cork Medical LLC's ("Cork") and Genadyne Biotechnologies Inc. and Sanara's advanced wound care product line to new customers through the jointly controlled entity.
- Acquisitions - we believe there are opportunities to acquire smaller, regional health care service providers, in whole or part that perform similar services to us but do not have the national market access, network of third-party payer contracts or operating economies of scale that we currently enjoy. We may also pursue acquisition opportunities of companies that perform similar services, but offer different therapies or utilize different devices.
- Lymphedema Therapy – 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.
- Information technology-based services - we also plan to continue to capitalize on key new information technology-based services such as EXPRESS, InFuBus or InFuConnect, Pump Portal, DeviceHub and BlockPain Dashboard®.

The payer environment within our 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 coverage plans, including Medicaid and Insurance Marketplace products. In some cases, this may slightly reduce our aggregate billed revenues payment rate but result in an overall increase in collected revenues, due to a reduction in concessions. Consequently, we are increasingly focused on revenues net of concessions.

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

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

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

| <i>(in thousands, except share and per share data)</i> | Three Months Ended March 31, | | Better/ (Worse) |
|---|---------------------------------|-----------------|--------------------|
| | 2023 | 2022 | |
| Net revenues: | | | |
| ITS | \$ 18,774 | \$ 16,641 | \$ 2,133 |
| DME Services (inclusive of inter-segment revenues) | 13,226 | 11,610 | 1,616 |
| Less: elimination of inter-segment revenues | (1,630) | (1,488) | (142) |
| Total | <u>30,370</u> | <u>26,763</u> | <u>3,607</u> |
| Gross profit (inclusive of certain inter-segment allocations) (a): | | | |
| ITS | 11,541 | 10,738 | 803 |
| DME Services | 3,999 | 4,629 | (630) |
| Total | <u>15,540</u> | <u>15,367</u> | <u>173</u> |
| Selling, general and administrative expenses | | | |
| Provision for doubtful accounts | 114 | 47 | (67) |
| Amortization of intangibles | 248 | 710 | 462 |
| Selling and marketing | 3,224 | 3,319 | 95 |
| General and administrative | 12,061 | 11,816 | (245) |
| Total selling, general and administrative expenses | <u>15,647</u> | <u>15,892</u> | <u>245</u> |
| Operating loss | (107) | (525) | 418 |
| Other expense | (519) | (305) | (214) |
| Loss before income taxes | (626) | (830) | 204 |
| Benefit from income taxes | 302 | 462 | (160) |
| Net loss | <u>\$ (324)</u> | <u>\$ (368)</u> | <u>\$ 44</u> |
| Net loss per share: | | | |
| Basic | \$ (0.02) | \$ (0.02) | \$ — |
| Diluted | \$ (0.02) | \$ (0.02) | \$ — |
| Weighted average shares outstanding: | | | |
| Basic | 20,853,018 | 20,609,372 | 243,646 |
| Diluted | 20,853,018 | 20,609,372 | 243,646 |

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

Net Revenues

Net revenues for the three-month period ended March 31, 2023 (“three-month period of 2023”) were \$30.4 million, an increase of \$3.6 million, or 13.5%, compared to \$26.8 million for the three-month period ended March 31, 2022 (“three-month period of 2022”). The increase included higher net revenues for both the ITS and DME Services segments.

ITS

ITS net revenue of \$18.8 million increased \$2.1 million, or 12.8%, during the three-month period of 2023 as compared to the same prior year period. This increase was primarily attributable to additional treatment volume in Oncology and Pain Management, revenue from sales-type leases of NPWT pumps, improved third party payer collections on billings and higher average prices. Net revenue in Oncology for the three-month period of 2023 represented the largest increase totaling \$1.6 million, or a 10.7% increase compared to the same prior year period. This was followed by an increase in revenue for Wound Care which increased by \$0.2 million, or 63% compared to the same prior year period, mainly due to an increase in sales of equipment on sales-type leases partially offset by lower treatment volumes. Pain Management net revenue of 2023 increased by \$0.3 million, which represented an increase of 28% as compared to the three-month period of 2022.

DME Services

DME Services net revenue of \$11.6 million (exclusive of inter-segment revenues), increased \$1.5 million, or 14.6%, during the three-month period of 2023 as compared to the same prior year period. This increase included higher biomedical services revenue which increased by \$1.7 million, or 98% compared to the same prior year period, partially offset by lower equipment rentals totaling \$0.3 million. The increased biomedical revenue was mainly due to a new master services agreement with a leading global healthcare technology and diagnostic company that was launched in April 2022.

Gross Profit (inclusive of certain inter-segment allocations)

Gross profit for the three-month period of 2023 of \$15.5 million increased \$0.2 million, or 1.1%, from \$15.4 million for the three-month period of 2022. This increase was due to the increase in net revenues offset by a lower gross margin. Gross margin decreased to 51.2% during the three-month period of 2023 as compared to 57.4% during the same prior year period. This decrease was due to a decrease in the gross margin for both the DME Services and ITS segments.

ITS

ITS gross profit was \$11.5 million during the three-month period of 2023, representing an increase of \$0.8 million, or 7.5%, compared to the same prior year period. The improvement reflected an increase in net revenues partially offset by a lower gross margin, which decreased from the prior year by 3.0% to 61.5%. The lower gross margin was the result of a \$0.4 million increase in the adjustment recorded for pump disposal expenses and an unfavorable product mix favoring lower margin revenues. These increased expenses were partially offset by improved third party payer collections on billings and improved coverage of fixed costs from the higher net revenue. Pump disposal expenses include retirements of damaged pumps and reserves for missing pumps. The increase was mainly related to an updated estimate of the volume of pumps considered missing based on pump return data and physical inventories. The lower margin mix was primarily related to the increase in NPWT pump sales leases.

DME Services

DME Services gross profit during the three-month period of 2023 was \$4.0 million, representing a decrease of \$0.6 million, or 13.6%, compared to the same prior year period. This decrease was due to a decrease in gross margin, which was partially offset by the increase in net revenues. The DME gross margin was 34.5% during the current period, which was 11.2% lower than the same prior year period. This decrease was due to an increase in labor costs related to an increase in the number of biomedical technicians and other expenses associated with the rapid on-boarding of the new master services agreement. Some of the additional labor costs include training activities and other labor expenses associated with building a larger team in order to have the capacity required to support much higher planned revenue volume. Over time, higher revenue levels are expected to absorb a portion of the increased labor costs resulting in an improved gross margin. Other increased expenses associated with the on-boarding ramp, which include increased travel expenses and employee acquisitions costs, are expected to decrease in the future. We currently estimate that the additional expenses incurred during the three-month period of 2023 that will either be absorbed or reduced totaled approximately \$1.3 million.

Selling and Marketing Expenses

Selling and marketing expenses for the three-month period of 2023 were \$3.2 million, representing a decrease of \$0.1 million, or 2.9%, as compared to selling and marketing expenses for the three-month period of 2022. Selling and marketing expenses consist of sales personnel salaries, commissions and associated fringe benefit and payroll-related items, marketing, travel and entertainment and other miscellaneous expenses. Selling and marketing expenses as a percentage of net revenues decreased to 10.6% compared to the same prior year period at 12.4%. This decrease was mainly attributable to a reduction in sales team members and a higher coverage of fixed expenses related to the higher revenue.

General and Administrative ("G&A") Expenses

G&A expenses for the three-month period of 2023 were \$12.1 million, an increase of \$0.2 million, or 2.1%, from the three-month period of 2022. G&A expenses during these periods consisted primarily of accounting, administrative, third-party payer billing and contract services, customer service, nurses on staff, new product services, service center personnel salaries, fringe benefits and other payroll-related items, professional fees, legal fees, stock-based compensation, insurance and other miscellaneous items. The increase of \$0.2 million was due to \$0.2 million in additional audit expenses associated with additional requirements to comply with the Sarbanes-Oxley Act of 2002 and other increased expenses totaling \$0.4 million were associated with revenue volume growth and included the cost of additional personnel, information technology and general business expenses including inflationary increases. These increases were partially offset by a decrease in stock-based compensation expense of \$0.3 million. G&A expenses as a percentage of net revenues for the three-month period of 2023, decreased to 39.7% compared to 44.2% for the same prior year period.

Other Income and Expenses

During the three-month period of 2023, other income and expense included interest expense of \$0.5 million, which was \$0.2 million higher than interest expense for the three-month period of 2022. This increase was due to an increase in outstanding borrowings on the 2021 Credit Agreement (defined below) revolving line of credit and higher average interest rates.

Benefit From Income Taxes

During the three-month periods of 2023 and 2022, the Company recorded a benefit from income taxes totaling \$0.3 million and \$0.5 million, respectively, on pre-tax losses of \$0.6 million and \$0.8 million, respectively. These amounts represented an effective tax rate of 48.2% and 55.7% during the three-month periods of 2023 and 2022, respectively, which differed from the U.S. statutory rate mainly due to the effects of local, state and foreign jurisdiction income taxes.

Liquidity and Capital Resources

Overview:

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

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

| Liquidity | March 31, 2023 | December 31, 2022 |
|---------------------------|----------------|-------------------|
| Cash and cash equivalents | \$ 0.3 | 0.2 |
| Revolving line of credit | 38.0 | 41.2 |
| Available liquidity | \$ 38.3 | 41.4 |

Our liquidity and borrowing plans are established to align with our financial and strategic planning processes and ensure we have the necessary funding to meet our operating commitments, which primarily include the purchase of pumps, inventory, payroll and general expenses. We also take into consideration our overall capital allocation strategy, which includes investment for future organic growth, potential acquisitions and share repurchases. We believe we have adequate sources of liquidity and funding available to meet our liquidity requirements for at least the next year from the filing date of this report, as well as for

our currently anticipated long-term needs, including our long-term lease obligations discussed above in [Note 12 \(Leases\)](#) in the notes to the accompanying unaudited condensed consolidated financial statements. However, any projections of future earnings and cash flows are subject to substantial uncertainty, including factors such as the successful execution of our business plan and general economic conditions. We may need to access debt and equity markets in the future if unforeseen costs or opportunities arise, to meet working capital requirements, fund acquisitions or investments or repay indebtedness under the 2021 Credit Agreement. If we need to obtain new debt or equity financing in the future, the terms and availability of such financing may be impacted by economic and financial market conditions as well as our financial condition and results of operations at the time we seek additional financing.

Long-Term Debt Activities:

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

| | March 31, 2023 | December 31, 2022 |
|------------------------------------|------------------|-------------------|
| Revolving Facility: | | |
| Gross availability | \$ 75,000 | \$ 75,000 |
| Outstanding draws | (36,594) | (33,384) |
| Letters of credit | (400) | (400) |
| Availability on Revolving Facility | <u>\$ 38,006</u> | <u>\$ 41,216</u> |

As of March 31, 2023, 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, LIBOR for Eurodollar loans or an Alternative Base Rate for ABR loans, as defined by the 2023 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 March 31, 2023 was 7.00% (LIBOR of 4.75% plus 2.25%). The actual ABR loan rate at March 31, 2023 was 9.25% (lender's prime rate of 8.00% plus 1.25%). As of March 31, 2023, the Company was in compliance with all debt-related covenants under the 2021 Credit Agreement.

Subsequent Event - Amendment to Credit Facility

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

Share Repurchase Program

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

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

Cash Flows:

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

| <i>In millions</i> | Three Months Ended March 31, | | |
|---|------------------------------|----------|---------------|
| | 2023 | 2022 | 2023 vs. 2022 |
| Net cash (used in) provided by operating activities | \$ (0.2) | \$ 4.1 | \$ (4.2) |
| Net cash used in investing activities | \$ (3.1) | \$ (2.1) | \$ (0.9) |
| Net cash provided by (used in) financing activities | \$ 3.3 | \$ (1.7) | \$ 5.0 |

Operating Cash Flow. Operating cash flows were a use of cash totaling \$0.2 million during the three-month period of 2023 and a source of cash totaling \$4.1 million for the three-month period of 2022. This \$4.2 million change was attributable to a decrease in net income adjusted for non-cash items, which was \$3.0 million during the three-month period of 2023 as compared to \$3.7 million during the three-month period of 2022, a decrease of \$0.7 million, and due to cash used to fund increased working capital items totaling \$3.1 million during three-month period of 2023 as compared to cash provided by reduced working capital items totaling \$0.3 million during three-month period of 2022. The decrease in net income adjusted for non-cash items was primarily attributable to the increased expenses associated with on-boarding the biomedical master services agreement. The use of cash for working capital items during the three-month period of 2023 included a \$1.0 million increase in accounts receivable, a \$0.8 million increase in inventories, a \$0.8 million increase in other current assets and a \$0.8 million increase in other assets partially offset by a \$0.3 million increase in accounts payable and other liabilities net of capital items. The cash provided by working capital items during the three-month period of 2022 included a \$1.6 million increase in accounts payable and other liabilities net of capital items partially offset by a \$1.3 million increase in accounts receivable. The lower increase in accounts receivable during the three-month period of 2023 as compared to the prior year was mainly due to a change in revenue received during the prior period where there was a higher weighting of revenue in March of 2022 as compared to total revenue during the three-month period of 2022 than the percentage of revenue in March of 2023 as compared to three-month period of 2023. Accounts payable and other liabilities net of capital items increased by \$0.3 million during the three-month period of 2023, and increased \$1.6 million during the three-month period of 2022, representing a \$1.3 million unfavorable cash flow swing, mainly due to a reduction in the amount paid in 2022 for the 2021 short-term incentive bonus plan as compared to the amount paid in 2023 for the 2022 short-term incentive bonus plan. The increase in inventories in 2023 as compared to 2022 reflected the higher revenue volumes in 2023. The increase in other assets reflected an increase in the amount of equipment sales on leases during 2023 as compared to 2022.

Investing Cash Flow. Net cash used in investing activities was \$3.1 million for the three-month period of 2023 compared to \$2.1 million for the three-month period of 2022, an increase of \$0.9 million. The increase was due to an increase totaling \$1.2 million in cash used to purchase medical equipment and other property and equipment during the three-month period of 2023 as compared to the three-month period of 2022. Purchases of medical equipment were higher during 2023 to support an increase in rental revenues during the current year as compared to 2022.

Financing Cash Flow. Net cash provided by financing activities for the three-month period of 2023 was \$3.3 million compared to net cash used of \$1.7 million for the three-month period of 2022. The amount of cash provided by financing activities during three-month period of 2023 included net revolving line of credit borrowings under the 2021 Credit Agreement totaling \$3.2 million partially offset by cash proceeds from employee stock option exercises totaling \$0.6 million. Amounts of cash used in financing activities during the three-month period of 2022 primarily related to \$4.0 million to buy back the Company's common stock partially offset by net revolving line of credit repayments under the 2021 Credit Agreement totaling \$1.6 million and cash proceeds from employee stock option exercises totaling \$0.5 million.

Critical Accounting Policies and Estimates

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

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

We do not enter into derivative financial instruments for speculative or trading purposes. Our hedging relationships are formally documented at the inception of the hedge, and hedges must be highly effective in offsetting changes to future cash flows on hedged transactions both at the inception of a hedge and on an ongoing basis to be designated for hedge accounting treatment. For derivative contracts which can be classified as a cash flow hedge, the effective portion of the change in the fair value of the derivative is recorded to accumulated other comprehensive income in the consolidated balance sheets. When the underlying hedge transaction is realized, the gain or loss included in accumulated other comprehensive income is recorded in earnings in the consolidated statements of operations and comprehensive income on the same line as the gain or loss on the hedged item attributable to the hedged risk. We record the ineffective portion of interest rate hedging instruments, if any, to interest expense in the consolidated statements of income. See [Note 8](#) to our consolidated financial statements for information related to the fair values of derivative instruments in our condensed consolidated balance sheets as of March 31, 2023 and December 31, 2022, respectively, and information related to the effect of derivative instruments included in our condensed consolidated statements of operations and comprehensive income including the amount of unrealized gain associated with our interest rate derivatives reported in accumulated other comprehensive income that was reclassified into earnings during the three months ended March 31, 2023 and 2022, respectively.

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

In July 2017, the Financial Conduct Authority (the authority that regulates LIBOR) announced its intent to stop compelling banks to submit rates for the calculation of LIBOR after 2021, and the administrator of LIBOR announced its intention to cease the publication of the one week and two month USD LIBOR settings immediately following December 31, 2021, and the remaining USD LIBOR settings immediately following the LIBOR publication on June 30, 2023. The one week and two month USD LIBOR settings were last published on December 31, 2021. Additionally, it is expected that banks no longer issue LIBOR-based debt after December 31, 2021. Accordingly, there is considerable uncertainty regarding the publication of such rates beyond these dates. The Alternative Reference Rates Committee ("ARRC") has proposed that the Secured Overnight Financing Rate ("SOFR") is the rate that represents best practice as the alternative to USD LIBOR for use in derivatives and other financial contracts that are currently indexed to USD LIBOR. ARRC has proposed a paced market transition plan to SOFR from USD LIBOR and organizations are currently working on industry-wide and company-specific transition plans as it relates to derivatives and cash markets exposed to USD LIBOR. On April 26, 2023, the Company entered into a First Amendment to the 2021 Credit Agreement, discussed in [Note 7](#) to the condensed consolidated financial statements, (the "First Amendment") with the Agent and the lenders party thereto, which amended the 2021 Credit Agreement to provide for the replacement of LIBOR with Term SOFR as a benchmark interest rate. Prior to the First Amendment, net revolving loans under 2021 Credit Agreement, were indexed to USD LIBOR. The Company plans to also amend its interest rate swap agreements, discussed in [Note 8](#) to the condensed consolidated financial statements, which are currently indexed to USD LIBOR to Term SOFR to coincide with the the index change in the 2021 Credit Agreement.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain a set of disclosure controls and procedures designed to ensure that material information required to be disclosed in our filings under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that material information is accumulated and communicated to our management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosures. Our CEO and CFO have evaluated these disclosure controls and procedures as of the end of the period covered by this quarterly report on Form 10-Q and have determined that such disclosure controls and procedures were

not effective due to material weaknesses in internal control over financial reporting that were disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

Ongoing Remediation of Previously Identified Material Weaknesses

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

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

Changes in Internal Control over Financial Reporting

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

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

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

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

Item 1A. Risk Factors

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

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**Purchases of Equity Securities by the Issuer**

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

| Period | Total Number of Shares Purchased (a) | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (b) | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in thousands) (b) |
|--|---|-------------------------------------|---|--|
| January 1, 2023 through January 31, 2023 | 16,427 | \$ 9.86 | — | \$13,991,109 |
| February 1, 2023 through February 28, 2023 | 7,440 | \$ 9.42 | — | \$13,991,109 |
| March 1, 2023 through March 31, 2023 | 35,154 | \$ 6.97 | 21,802 | \$13,838,269 |
| Total | 59,021 | \$ 8.08 | 21,802 | |

(a) Of the 59,021 shares of common stock presented in the table above, 37,219 shares were originally granted to employees and directors as stock options and restricted stock awards. Our stock plans allow for the withholding of shares to satisfy tax obligations due upon the exercise of stock options and vesting of restricted stock. Pursuant to our stock plans, the 37,219 shares reflected above were relinquished by employees or directors in exchange for our agreement to pay U.S. federal, state and local tax withholding obligations resulting from the exercise of the Company's stock options and vesting of the Company's restricted stock.

(b) On June 30, 2021, our Board of Directors approved a stock repurchase program (the "Share Repurchase Program") authorizing the Company to repurchase up to \$20.0 million of the Company's outstanding common stock through June 30, 2024 (which was announced on August 12, 2021). Repurchases under the Share Repurchase Program will be subject to market conditions, the periodic capital needs of the Company's operating activities, and the continued satisfaction of all covenants under the Company's existing credit agreement. Repurchases under the Share Repurchase Program may take place in the open market or in privately negotiated transactions and may be made under a Rule 10b5-1 plan. The Share Repurchase Program does not obligate the Company to repurchase shares and may be suspended, terminated, or modified at any time. As of March 31, 2023, the Company had repurchased 553,149 shares under the Share Repurchase Program.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

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* | Non-Disclosure Agreement for Potential Director Candidate, dated August 4, 2022, by and between the Company and R. Rimmy Malhotra. |
| 31.1* | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2* | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1** | Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2** | Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS* | Inline XBRL Instance Document |
| 101.SCH* | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL* | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF* | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB* | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE* | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 104* | Cover Page Interactive Data File (formatted in inline XBRL and contained in Exhibit 101) |
| * | Filed herewith |
| ** | Furnished herewith |

SIGNATURES

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

INFUSYSTEM HOLDINGS, INC.

Date: May 9, 2023

/s/ Richard DiIorio

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

Date: May 9, 2023

/s/ Barry Steele

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

**NON-DISCLOSURE AGREEMENT
FOR POTENTIAL DIRECTOR CANDIDATE**

This non-disclosure agreement (this "Agreement") is made as of August 4, 2022, by and between InfuSystem Holdings, Inc. (the "Company") and R. Rimmy Malhotra (the "Candidate", and together with the Company, the "Parties").

WHEREAS, the Candidate wishes to be considered by the Company, and the Company invites the Candidate to be a potential member of the Company's board of directors, and

WHEREAS, the Parties wish to engage in further conversations relating to the Company and such potential board position, and
WHEREAS, during the process of such consideration (the "Process") the Candidate may be given or otherwise become aware of specific information which the Company considers confidential and proprietary, including information that may be considered material nonpublic information, and

WHEREAS, the Parties intend that such information shall be kept proprietary and confidential in full compliance with the following terms and condition.

NOW THEREFORE, the Parties hereto agree as follows:

- I. Definition of Confidential Information.
 - A. "Confidential Information" means information regarding the Company and its affiliates, their respective business affairs, strategies, financial reports or condition, products, customers, and any other Company-related information which is not publicly known or available and could reasonably be considered confidential and/or proprietary, as well as the fact that discussions are taking place between the Company and the Candidate regarding the Process and the content of these discussions.
 - B. Confidential Information shall be subject to the restrictions and obligations specified in this Agreement whether such Confidential Information is in writing or other tangible form; whether it is clearly marked as proprietary or confidential; or whether it is disclosed orally, electronically, or visually.
 - II. Communication and Use of Information.
 - A. Confidential Information may be used by Candidate only in connection with the Process and may not be disclosed or shared directly or indirectly by the Candidate with any third party or used for the potential gain of any person or entity other than the Company.
 - B. Under no circumstances may the Candidate disclose Confidential Information to his current, former, or prospective employer, clients, colleagues, or associates, specifically including Nicoya Capital and its affiliates and investors.
 - C. Candidate shall use the same degree of care, but not less than a reasonable standard of care, to prevent the unauthorized disclosure or dissemination of Confidential Information as Candidate would use to protect his own similar confidential information.
 - D. Candidate shall not disclose to any third parties (except his counsel) the terms of this Agreement.
 - E. All tangible Confidential Information shall remain the property of the Company, and all such information shall be immediately returned or destroyed (with certification of destruction by the Candidate) at the request of the Company, except as required by law or regulation.
 - III. Disclaimers.
 - A. In no event shall Candidate be deemed to have any right or interest in any Confidential Information.
 - B. Nothing in this Agreement shall grant the Candidate any rights as against the Company, or grant Candidate the right to make commitments of any kind for or on behalf of the Company.
 - C. The Candidate acknowledges that nothing in this Agreement obligates the Nominating and Governance Committee of the Board of Directors to nominate or appoint the Candidate to the Board.
 - IV. Legal Process.

If Candidate is requested pursuant to, or required by, applicable law, regulation or legal process to disclose any of the Confidential Information, Candidate agrees, provided it is allowed by applicable law, (i) to notify the Company immediately of the existence, terms and circumstances surrounding such request, (ii) to consult with the Company on the advisability of taking legally available steps to resist or narrow such request, and (iii) if disclosure of the Confidential Information is required to prevent Candidate from being held in contempt or other penalty, to furnish only such portion of the Confidential Information as Candidate is in good-faith advised by counsel that Candidate is legally compelled to disclose and to exercise reasonable efforts to obtain an order or other reliable assurance that confidential treatment will be accorded to the disclosed Confidential Information.
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V. Public Company.

A. Until such time, following the Company's 2022 fiscal third quarter earnings release, as the Company has confirmed to the Candidate that its "insiders" (as such terms are used in the proxy rules of the Securities and Exchange Commission) are eligible to engage in public transactions relating to the Company's securities (i.e., the next "open window" under the Company's existing insider trading policy), neither the Candidate nor any of his affiliates (as such term is defined under the Securities Exchange Act of 1934, as amended, which specifically includes Nicoya Capital LLC and its affiliates), will in any manner effect any transaction relating to the Company's securities. If the Candidate is not appointed to the Board, the provisions of this Section V.A. will expire on September 30, 2022.

B. In addition, until September 30, 2022, and then if and only if the Candidate becomes a member of the Company's board of directors, for a period of two years from the date of this Agreement, neither Candidate nor any of his affiliates shall, without the prior written approval of the Board of the Company, directly or indirectly: (i) make, effect or commence any tender or exchange offer, merger or other business combination involving the Company; (ii) make, or in any way participate in, any "solicitation" of "proxies" (as such terms are used in the proxy rules of the Securities and Exchange Commission) to vote, or, except as consistent with the normal role of a public company director, seek to advise or influence any person with respect to the voting of, any voting securities of the Company; (iii) disclose any intention, plan or arrangement inconsistent with the foregoing (iv) form, join or in any way participate in a "group" (within the meaning of Section 13(d)(3) of the Securities Exchange Act of 1934) with respect to any voting securities of the Company, other than a group among the Candidate, Nicoya Capital and its affiliates.

C. Respecting the potential fiduciary relationship contemplated by initiation of the Process, Candidate represents and warrants that: (i) he is entering into this Agreement in good faith, with full intention to work toward a desired non-hostile and collaborative business relationship with respect to the Company and with the Company's management and board of directors; (ii) provided that the Company demonstrates a reciprocal commitment to the Process, (a) there are no plans or strategies known to him to seek, via affiliates, related persons or entities, or any third parties, to circumvent, stand outside or pursue activities or ends at odds with such non-hostile and collaborative business relationship; and (b) he has no knowledge relating to any affiliates, related persons or entities, or any third parties, of any desire or plan to pursue any litigation or enforcement action against the Company or any member of its management or board of directors. Both parties acknowledge and agree that should Candidate become a member of the Company's board of directors, his fiduciary obligations may require him, from time to time, to disagree in good faith with other board members and/or management. Such good faith and full discharge of his duties as a director will in no way be contrived as a violation of his obligation under this paragraph.

VI. General Provisions.

- A. This Agreement constitutes the entire agreement between the Parties with respect to the Process. For the avoidance of doubt, this Agreement is specific to the Process and any previous or future confidentiality, non-disclosure or similar agreements entered into between or among the Parties shall stand on their own terms and shall not be limited, superseded or supersede this Agreement.
- B. The Parties agree that a breach of any part of this Agreement by Candidate may cause immediate and irreparable injury to Company and that it shall therefore be entitled to seek equitable relief, including injunction and specific performance, in the event of any such breach, in addition to all other remedies available at law or in equity.
- C. The Parties represent that they have had the opportunity to be represented by counsel with respect to this Agreement and that their signatures to this Agreement are with full knowledge, understanding and the product of their free will, act, and deed under no compulsion or duress.
- D. This Agreement shall be exclusively governed by and construed according to the laws of the State of Delaware. Jurisdiction for all disputes arising out of or relating to this Agreement will be determined exclusively in the Chancery Court of the State of Delaware.
- E. Each of the Parties represents and warrants to the other that this Agreement has been duly executed and constitutes a valid, binding, and enforceable obligation.
- F. This Agreement may be signed in any number of counterparts, which when taken together, will constitute one agreement. A facsimile transmission or electronic document attachment (such as PDF) to an email communication of a signed counterpart of this Agreement will be sufficient to bind the Party whose signature appears thereon.
-

InfuSystem Holdings, Inc.

By: /s/ Gregg O. Lehman
Name: Dr. Gregg O. Lehman, PhD
Title: Chairman of the Nominating and Governance Committee

Candidate: /s/ R. Rimmy Malhotra
Name: R. Rimmy Malhotra

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: May 9, 2023

/s/ Richard DiIorio

Richard DiIorio
Chief Executive Officer and Director

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: May 9, 2023

/s/ Barry Steele

Barry Steele
Chief Financial Officer

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 March 31, 2023 (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: May 9, 2023

/s/ Richard DiIorio

Richard DiIorio
Chief Executive Officer and Director

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 March 31, 2023 (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: May 9, 2023

/s/ Barry Steele

Barry Steele
Chief Financial Officer