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Rockwell Medical, Inc.

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Earnings Call

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Call Participants

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ANALYSTS

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Presentation

Operator

Good morning, and welcome to Rockwell Medical's First Quarter 2025 Results Conference Call and Webcast. Please note that this event is being recorded. At this time, I would like to turn the conference call over to Heather Hunter, Senior Vice President, Chief Corporate Affairs Officer at Rockwell Medical. Heather, please go ahead.

Heather H. Hunter
Senior VP & Chief Corporate Affairs Officer

Good morning, and thank you for joining us for this update on Rockwell Medical. Joining me on today's conference call are Dr. Mark Strobeck, Rockwell Medical's President and Chief Executive Officer, and Jesse Neri, Rockwell Medical's Chief Financial Officer.

Before we begin, I would like to remind you that this conference call will contain forward-looking statements about Rockwell Medical within the meaning of the federal securities laws, including, but not limited to, the types of statements identified as forward-looking in our annual report on Form 10-K and our subsequent periodic reports filed with the SEC. These statements are subject to risks and uncertainties that could cause actual results to differ.

Please note that these forward-looking statements reflect our opinions and expectations only as of today. Except as required by law, we specifically disclaim any obligation to update or revise these forward-looking statements in light of new information or future events. Factors that could cause actual results or outcomes to differ materially from those expressed in or implied by such forward-looking statements are discussed in greater detail in our periodic reports filed with the SEC.

Rockwell Medical's quarterly report on Form 10-Q for the 3 months ended March 31, 2025, was filed prior to this call and provides a full analysis of the company's business strategy as well as our first quarter 2025 results. The reconciliation of non-GAAP measures we discuss on today's call can also be found in today's press release. Our Form 10-Q and other reports filed with the SEC, along with today's press release, our updated investor presentation and a replay of today's conference call and webcast can be found on Rockwell Medical's website under the Investors section.

Now I would like to turn the call over to Rockwell Medical's President and CEO, Dr. Mark Strobeck

Mark Strobeck
President, CEO & Director

Thank you, Heather. Good morning, and thank you for joining us today for Rockwell Medical's First Quarter 2025 Earnings Conference Call and Webcast.

As we discussed back in March, the first quarter was going to be a transition period for Rockwell. During the first quarter, we continued to diversify our customer base with some of the leading regional, national, and global hemodialysis providers and health systems. We remain a preferred provider as a result of our continued reliability, high-quality products, and customer-centric approach, and have signed a number of new contracts during this period.

Our business in the first quarter performed according to plan, with revenue and gross profit in line with our expectations for the year. In addition, we continue to consolidate and further automate our manufacturing operations to reduce expenses and sustain our gross margin, which was also within our guidance range for the year. As for our largest customer, we continue to work with them to find ways to support their business going forward. Although we have not entered into a new agreement, we are still in active discussions with them about terms for potential contract extension.

One area that we are closely monitoring is the recent cyber-attack that occurred in our industry. As you may know, last month, our largest customer announced a company-wide ransomware incident impacting

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certain elements of its network. We were notified by our customer of this cyber-attack and immediately disconnected all systems that were connected to their organization to prevent any potential impact of our own IT infrastructure. We are actively monitoring our network and have not experienced any direct implications to or impact on our systems to date.

Another area that we are closely monitoring is tariffs. Rockwell Medical's hemodialysis concentrates are manufactured right here in America and have been since the company was founded nearly 30 years ago. Approximately 90% of our revenue comes from dialysis providers within the United States, 10% is generated ex U.S., of which only one country is directly impacted by the recent U.S. tariff actions. This equates to a negligible amount of our total annualized revenue. Because we manufacture our products in the United States, we can manage our own supply chain and nimbly respond to real-world demand. While we do source a few supplies from outside the United States, we do not anticipate tariffs to impact our costs on those supplies.

In the first quarter, we added a single-use bicarbonate cartridge technology to our portfolio of hemodialysis concentrates products. The addition of this bicarb cartridge to our portfolio represents an exciting opportunity for us to diversify our offering and address one of the fastest-growing segments within the dialysis products market. We officially launched this new product in February and are starting to see some traction with our customers.

We continue to be very active in pursuing business development opportunities. We are seeking transactions that can further strengthen our position in the renal market and/or provide access to new markets either through product acquisitions or international expansion. These opportunities are intended to be revenue-generating, immediately accretive to our business. We are engaged in due diligence on a number of opportunities and are looking for just the right one that meets our growth targets and objectives. We hope to have more to say on this in the coming quarters.

Rockwell remains a leading supplier that has the scalability to manufacture and deliver to the more than 12,000 individual purchasing facilities, including outpatient dialysis clinics and hospitals in the U.S., along with select international markets. We are reiterating our projected guidance for 2025 with net sales between $65 million and $70 million, gross margin between 16% and 18% and adjusted EBITDA between a negative $500,000 and a positive $500,000.

Now I will turn the call over to Jesse to review our first quarter 2025 financial results in further detail. Jesse?

Jesse Neri
Senior VP & CFO

Thank you, Mark. Good morning, everyone. I will now review our first quarter 2025 financial results in greater detail.

Net sales for the first quarter were $18.9 million, representing a 17% decrease over net sales of $22.7 million for the same period in 2024. The decrease in net sales was driven by our largest customer transitioning to another supplier. This customer agreed to a onetime nonrefundable payment of $900,000 to ensure continuity of supply for products purchased during the first quarter.

Gross profit for Q1 of 2025 was $3 million, which was in line with gross profit for the same period in 2024. Gross margin for Q1 2025 was 16%, representing an increase from 14% for the same period in 2024. Net loss for Q1 2025 was $1.5 million, which represents an improvement over a net loss of $1.7 million for the same period in 2024. Adjusted EBITDA for Q1 2025 was a negative $400,000. Seasonal items associated with payroll tax and other public company-related expenses historically incurred in Q1 drove our adjusted EBITDA to be slightly negative.

Cash, cash equivalents, and investments available for sale at March 31, 2025, was $17.3 million compared to $21.6 million at December 31, 2025. The decrease was driven by timing of payments and collections and seasonal items historically incurred in the first quarter.

Now I'll turn the call back over to Mark.

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Mark Strobeck
President, CEO & Director
Thank you, Jesse. Operator, please open the phone line for any questions.

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Question and Answer

Operator

[Operator Instructions]. Our first question comes from Ram Selvaraju from H.C. Wainwright.

Raghuram Selvaraju
H.C. Wainwright & Co, LLC, Research Division

Congrats on the performance notch so far in the quarter, in line with your previously reported guidance. I was wondering if you could firstly give us some sense on the following 2 aspects.

First, foremost, with regard to the negotiations that are ongoing with your largest historical customer, kind of give us a sense of some scenarios that could ultimately arise from those negotiations. In other words, would there be a scaled-down contractual commitment by this customer? Could the customer still elect to diversify away from Rockwell entirely? Or would there conceivably be a situation in which the customer continued to order from Rockwell at levels comparable to those seen in the past?

And then secondly, if you could give us a sense of any kind of directionality with regard to top-line revenue cadence for the remainder of 2025? And if you have visibility at this point as to which of the remaining 3 quarters of the year are likely to be the weakest with respect to revenue?

Mark Strobeck
President, CEO & Director

Thank you, Ram. Let me address the first of your questions. So the discussions that we have ongoing right now with our largest customer are to continue to maintain some level of service to them for the future going forward. It will likely be at a much smaller scale than we have done previously.

But I think from the way that we're looking at it is we have a good relationship with them. We're a strong supplier of their organization. And so we're looking to put in place a longer-term arrangement that will maintain some supply, as well as provide them some supply for their safety stock that they have that we would be looking to replenish. So that's the extent of the relationship that we're currently negotiating with them.

As it relates to revenue going forward, I think it's tough to predict that in the sense that we're in the process right now of signing additional customers, bringing on new customers. And some of those are going to be incredibly meaningful. So we're really not in a position today to be able to provide that level of guidance. I think safe to say, and we feel really confident in the guidance that we've provided and feel good that there is a strong possibility that we will be able to improve that.

Jesse, I don't know if you have anything further to say.

Jesse Neri
Senior VP & CFO

Mark, I think that's right. I mean, the way things are looking right now, I would say Q2 is probably going to be the low point for the year, and then build from there. But to Mark's point, it's still a little bit early to say.

Raghuram Selvaraju
H.C. Wainwright & Co, LLC, Research Division

Okay. And then if you could comment on any emerging dynamics or [Technical Difficulty] with respect to the at-home dialysis market and the specific product offerings that you've brought [Technical Difficulty]

Mark Strobeck
President, CEO & Director

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Yes. The at-home market, I would say, is continuing to progress as we've expected. It, from our vantage point today, it will certainly be a part of the path to delivering treatment. It's not a large part today, but it's certainly one that continues to grow.

Our product offering that we've put together for the at-home market is now beginning to start to, we're starting to increase sales of that product, and we suspect that there will be more coming through the remainder of the year. The nice part for us about that product offering, not only is it significantly improves how a patient is able to administer the dialysis treatment at home by using product types that are much more manageable for the patient, but it's also a much higher-margin product for us. And so, we're looking to see that begin to grow here in the second half of the year.

Operator

Our next question comes from Jeremy Pearlman from Maxim Group.

Jeremy Pearlman

First, maybe if you could expand any more information on your international market expansion and on the West Coast, where you see the opportunities there? And how is that progressing?

Mark Strobeck
President, CEO & Director

Yes. So, we continue to expand our business, what we call sort of internationally, but it's primarily in Latin America. That's a big opportunity for us and one that we continue to see an opportunity for us to provide products to those emerging dialysis centers. And a lot of our growth continues to be within that region. Again, it's advantageous for us. We don't, we aren't responsible for the distribution of those products. That's taken on by the customer. And so that turns out to be a good piece of business for us. As far as expansion into the Western portion of the United States, we still believe that that's a good opportunity.

We still believe that based on our data, that is largely being supported by one manufacturer. And so, we think there's an opportunity there. We're still trying to determine what's the best approach for us to take to enter into that West Coast market. We've developed now critical mass as it relates to customers out in the West. So, with that in hand, it likely makes more sense for us to contemplate establishing a facility out in the West. But we haven't made any final determinations yet on how to best do that, but it's certainly an area that we think is a ripe opportunity for us to expand.

Jeremy Pearlman

Understood. And then maybe if you could just help us, I know the loss of the largest customer was a little bit of a step back and you're trying to mitigate that by taking on new customers. How much of that revenue do you think you could take on? Is there, are there enough smaller independent dialysis providers that you'd be able to pick up and to cover most of that expense, the lost revenue? How are you looking at that?

Mark Strobeck
President, CEO & Director

We think there is. And it's in the areas likely that you've just discussed. And I would add to that within our own existing footprint today, there's still a significant number of customers that exist that don't currently purchase Rockwell products that could. So, our commercial efforts are focused, A, to expand our customer base within our existing footprint; B, to expand our customer base internationally within Latin America primarily. And then third will be to continue to further penetrate into the West. We believe that there's an opportunity there that is large enough that would allow us to replace a significant portion of the revenue that we've lost.

Jeremy Pearlman

Okay. Understood. And then just last question. I think I just want to make sure I think I heard this as part of an answer to another question. The revenue guidance that you're reaffirming today, that's as your

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customer base stands now. And then if any other customers you may sign on as the year goes on, that could just be potential upside? Or is that, or is there any customers that you assume or that you to get is baked into that guidance?

Mark Strobeck
President, CEO & Director

No. So this is based on our current customer base today. And so, any new customer would add to that. So, there would be potential upside there.

Operator
There are no further questions. This concludes today's conference call and webcast. You may now disconnect.

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