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Rockwell Medical, Inc.

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Earnings Call

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Call Participants

EXECUTIVES

Heather H. Hunter
Senior VP & COO

Jesse Neri
Senior VP & CFO

Mark Strobeck
President, CEO & Director

ANALYSTS

Nicholas Sherwood
Maxim Group LLC, Research Division

Unknown Analyst

Presentation

Operator

Thank you. Good morning and welcome to Rockwell Medical's second quarter 2026 results conference call and webcast. Please note, this event is being recorded. At this time, I would like to turn the conference call over to Heather Hunter, Chief Operating Officer at Rockwell Medical. Heather, please go ahead.

Heather H. Hunter
Senior VP & COO

Good morning, everyone, 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 CEO, and Jesse Neri, Rockwell Medical's CFO. 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 this concept is 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 June 30, 2026, was filed prior to this call and provides a full analysis of the company's business strategy, as well as the company's second quarter 2026 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 call can be found on our website under the investor section. Now I will turn the call over to Rockwell Medical's President and CEO, Dr. Mark Strobeck.

Mark Strobeck
President, CEO & Director

Thank you, Heather, and good morning, everyone. Thank you for joining us today on Rockwell Medical's second quarter 2026 earnings conference call and webcast. The second quarter was another important step forward for Rockwell Medical. We delivered strong year-over-year growth, continued to expand gross margin, generated positive operating cash flow, strengthened our customer portfolio, and advanced the operational initiatives that we believe will continue to drive long-term shareholder value.

As a result, we remain on track to achieve our full-year 2026 guidance while continuing to execute against our strategy for further growth in the years ahead. When I think about where Rockwell is today compared to just a few years ago, the difference is significant. Our focus over the last several years has been straightforward: to build a strong business, improve profitability, generate cash, diversify our customer base, increase operational efficiency, and establish a foundation capable of supporting long-term growth.

Those objectives have driven nearly every strategic and operational decision we have made. Today we are seeing tangible evidence that those efforts are working. During the second quarter, net sales increased 11% compared to the prior year period, driven by continued customer growth, increased purchase activity from existing customers, and the impact of pricing actions implemented across portions of our portfolio. Gross profit increased and gross margin expanded to 18%, reflecting higher volumes and improved operating efficiency.

We also generated positive cash flow from operations and ended the quarter with a strong cash position. These results demonstrate continued progress in the execution of our strategy and further improvement in our financial performance. Perhaps equally important, these results are not driven by 1 single customer, a

1-time initiative, or a short-term event. They're being generated through disciplined execution across the organization. A key component of our strategy has been creating a more diversified and durable revenue base.

We currently serve approximately 300 customers, including all 5 major U.S. dialysis providers, while also supplying products to more than 30 international markets. Over time, we have worked deliberately to reduce customer concentration and increase the percentage of business conducted under longer-term agreements that provide greater visibility and predictability. The second quarter included additional progress on this front. We announced a new agreement with Heritage Dialysis, the renewal of our long-standing relationship with Aqua Dialysis.

Both agreements reinforce our position as a trusted supplier and further strengthen the recurring nature of our revenue base. Importantly, these agreements also include annual pricing provisions that better align our products with the value we provide our customers. Our commercial momentum also continues to build in regions where we are investing significant effort. As a result, we continue to see meaningful growth in the western United States, as recently onboarded customers continue to transition business to Rockwell.

These wins are particularly important because they demonstrate our ability to compete successfully in new geographies while leveraging existing manufacturing and distribution infrastructure. We continue to remain the leading supplier of liquid bicarbonate concentrates and 1 of the largest overall providers of hemodialysis concentrates in the United States. We believe our products and services provide meaningful value, and our customers continue to depend on us to deliver high-quality products reliably and consistently in an environment where supply continuity is critical.

Another area where we are seeing encouraging progress is operational efficiency. We have invested substantial time and resources into improving our manufacturing footprint, streamlining operations, optimizing distribution, and implementing automation initiatives. Many of these projects required upfront investment and significant organizational focus. While they were designed to create long-term benefits, we are now beginning to see those benefits reflected in our financial results.

One of the clearest examples is the successful activation of two new automated liquid production lines which increase our manufacturing capacity, improve efficiency, reduce labor intensity, and lower production costs. As utilization continues to grow, we expect these and future investments to continue to contribute to margin expansion and profitability improvements over the coming years. Our objective is not simply to improve margins for a quarter or 2.

We are focused on creating structural advantages that support sustainable profitability over the long term. When we discuss our goal of achieving approximately 30% gross margins by 2029, that target is not based on a single initiative. It reflects multiple drivers working together, including higher volume, pricing discipline, increased automation, improved manufacturing efficiency, distribution optimization, and continued growth, operating leverage as the business grows. We believe the progress we delivered during the second quarter demonstrates that these initiatives are moving in the right direction.

Beyond our core concentrates business, we are also focused on creating future growth opportunities that are closely aligned with our existing renal care platform. During the second quarter, we incurred a modest amount of expense related to the evaluation and development of a new medical device opportunity that we believe complements our current product portfolio and leverages the commercial relationships, manufacturing expertise, and market knowledge we have built over many years.

Importantly, this is a measured investment that is being funded within our existing operating plan and does not alter our commitment to maintaining a strong balance sheet and positive operating cash flow. While it is still early in the process, we believe this opportunity offers an attractive way to expand our offerings while remaining focused on disciplined capital allocation and creating long-term shareholder value. We will provide additional updates as they become available. Looking ahead, our long-term growth strategy remains centered around 3 core pillars.

First, we will continue growing our core hemodialysis concentrates business through customer acquisition, geographic expansion, enhanced customer retention, and disciplined pricing. Second, we intend to broaden our portfolio with complementary renal care products that can leverage our existing infrastructure. Third, we will continue to evaluate innovations that improve the patient experience and expand our portfolio within the broader renal care ecosystem. Together, these initiatives support our goal of generating annual net sales in excess of $100 million by 2029 while continuing to improve profitability and cash generation.

Before I turn the call over to Jesse, I'd like to address our recently completed reverse stock split. We recognize that some investors may naturally compare this reverse stock split to actions taken during prior periods in the company's history, particularly those who have followed Rockwell for many years. However, it is important to recognize that the circumstances surrounding this reverse split are fundamentally different. The reverse stock split completed this year was undertaken to regain compliance with Nasdaq's minimum bid price requirement to increase interest from institutional investors and reassure customers' confidence in Rockwell.

While market conditions and trading dynamics contributed to Rockwell's share price performance, the reverse split was not driven by the need to raise capital, the deterioration in our operating performance, liquidity concerns, financial concerns, or change in our business outlook. Unlike prior periods, this reverse split was not undertaken in connection with nor will be followed by a capital raise. At the time of the split, Rockwell has demonstrated continued revenue growth, improving profitability, positive operating cash flow, expanded margins, and a strengthened balance sheet.

Since completing the reverse split, we have regained compliance with Nasdaq's listing requirements, and the matter has been closed. More importantly, today Rockwell is fundamentally stronger than it was several years ago. We have strengthened our balance sheet, improved profitability, expanded margins, diversified our customer base, generated positive operating cash flow, invested in automation, and established a clear strategic roadmap for future growth. We believe these accomplishments are what should define Rockwell Medical's, should be, or what should define today's Rockwell Medical.

We also continue to believe there is a meaningful disconnect between our current market valuation and the progress being made within the business. While markets ultimately determine value, our responsibility is straightforward. Execute our strategy, meet our commitments, communicate transparently, and continue to build a business that generates sustainable long-term returns.

We believe the best way to close that gap is through continued execution, and our team remains intensely focused on delivering results. As the second half of 2026 gets fully underway, we are encouraged by the momentum in the business. We believe our company is stronger operationally, healthier financially, and better positioned strategically than it has been in recent years. While there is still work to do, we are confident that the actions we have taken, combined with the opportunities ahead of us, position Rockwell Medical for continued growth and value creation. With that, I'll turn the call over to Jesse to review our second quarter 2026 financial results in more detail.

Jesse Neri
Senior VP & CFO

Thank you, Mark. Good morning, everyone. Net sales for the 3 months ended June 30, 2026, were $17.8 million, representing an 11% increase compared to net sales of $16.1 million for the same period in 2025. The increase was primarily driven by sales to new customers in the western United States, increased purchasing from existing customers, and annual pricing actions implemented across our portfolio. For the 6 months ended June 30, 2026, net sales were $35.1 million, which was in line with net sales for the same period in 2025.

While net sales for the 6-month comparative periods were consistent year-over-year, it is important to point out that the first half of 2025 sales included higher purchasing volumes from DaVita. Including DaVita, first half 2026 sales grew by more than 10% over the prior year. We also delivered sequential growth with Q2 2026 sales exceeding Q1, driven by increased purchases from existing customers. We believe that this trend provides a stronger indication of the direction of the business than the 6-month comparison alone.

Turning to profitability, gross profit for the second quarter was $3.2 million compared to $2.5 million in the second quarter of 2025, representing a 30% year-over-year improvement. Gross margin increased to 18% compared to 16% during the same period last year and 17% in the first quarter of this year. For the 6 months ended June 30, 2026, gross profit was $6.1 million compared to $5.5 million during the prior year period. Gross margin improved to 17% compared to approximately 16% during the first half of 2025.

We believe these results continue the positive margin trajectory we have discussed over the last several quarters and represent another step toward our full-year gross margin target of 18% to 22%. The increase in gross profit and gross margin reflects the benefit of lower manufacturing costs and operational efficiency initiatives implemented throughout the organization, including our most recent automation investments. These improvements are designed to create a more efficient cost structure and support long-term profitability.

As production volumes increase and asset utilization continues to improve, we believe there remains additional opportunity for margin expansion over time. Moving down the income statement, our net loss for the second quarter was $1.2 million compared to a net loss of $1.5 million during the second quarter of 2025 and $1.6 million for the first quarter of 2026. For the first 6 months of 2026, net loss was $2.8 million compared to $3 million during the same period in 2025. While we are not yet at our ultimate profitability objectives, these results demonstrate continued progress toward improving overall operating performance.

Adjusted EBITDA for the second quarter was a negative $200,000, consistent with the prior year period. For the 6-month period, adjusted EBITDA improved $200,000 compared to the first half of '25, the benefits of higher gross profit. As additional revenue and margin improvement initiatives take hold throughout the remainder of the year, we continue to expect adjusted EBITDA to improve and remain within our previously issued guidance range of $1 million to $2 million for the full year of 2026. Now let's discuss cash flow and liquidity.

One of the most encouraging aspects of our second quarter performance was the continued strength of our balance sheet and the ability to generate cash from operations. During the second quarter, the company generated approximately $2.1 million of cash from operations. This performance contributed to a quarter-end balance of $24.8 million in cash, cash equivalents, and investments available for sale. Importantly, this cash balance increased from $23.9 million at the end of the first quarter and remained generally consistent with our year-end 2025 position, despite continued investments in the business and the final payments associated with the Evoqua acquisition.

We have consistently stated that our primary financial objective is to achieve operating cash flow and position the business to fund its operations organically. The second quarter represents another important step toward that objective. We believe our strong cash position provides flexibility to support our growth initiatives, invest in operational improvements, pursue strategic opportunities, and continue to build long-term shareholder value. Based on our performance through the first half of the year and current business trends, we are reiterating our full year 2026 guidance.

We continue to expect net sales between $70 million and $75 million, gross margin between 18% and 22%, and adjusted EBITDA between $1 million and $2 million, and positive operating cash flow. As Mark noted earlier, we have met or exceeded our stated expectations for 3 consecutive years. While we remain mindful of the dynamic environment in which we operate, we are encouraged by the momentum we are seeing across the business and remain focused on disciplined execution during the second half of the year. In closing, our financial performance this quarter reflects a business that is becoming stronger, more efficient, and more predictable.

Net sales increased, margin expanded, operating cash flow strengthened, and our balance sheet remains healthy. We believe these results reinforce the effectiveness of our strategy and positions us well for continued progress as we move through the remainder of 2026. Now I will turn the call back over to Mark.

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

Question and Answer

Operator

We will now begin the question and answer session. [Operator Instructions] Please stand by while we compile the roster. Your first question comes from Nicholas Sherwood with Maxim Group. Please go ahead.

Mark Strobeck
President, CEO & Director

Good morning. Nick, I think we lost you. No, we can't hear you.

Nicholas Sherwood
Maxim Group LLC, Research Division

Hello?

Mark Strobeck
President, CEO & Director

Hello, we can hear you now. Go ahead.

Nicholas Sherwood
Maxim Group LLC, Research Division

So in the past you've spoken about expanding more into the West Coast. Can you talk about how it's been going building up your operations in that market?

Mark Strobeck
President, CEO & Director

Yes. So I think as we've spoken about previously, it's been a strategic objective of ours to expand our operations more directly in the West Coast as you know as of right now there is really primarily one supplier of concentrates in the West and we think there is a significant market opportunity for us to access as we announced at the beginning of the year, we had begun to take over a customer base that existed out in the West platform, and have now begun to supply those on a consistent and regular basis.

What that's doing is really opening up the opportunity for us and our sales force to go out and begin to start to talk to other customers in the West, letting them know that Rockwell is now present in that region, has a full suite of concentrates, that we manufacture and distribute and can now begin to start to supply them. We're seeing a lot of positive interactions out there. And we expect that business, that part of the business, to continue to grow.

Nicholas Sherwood
Maxim Group LLC, Research Division

Thank you for that detail. And then talking about contracts you've been signing with your partners, what do the renewal structures look like? Are these things that you'll be 2 to 3 year contracts? Will you be revisiting them with your partners well before they end a year before the end or like 6 months before the end? And like some of these renewal option mechanisms, when can these be triggered just so you can maybe have even more idea of consistent revenue timeline?

Mark Strobeck
President, CEO & Director

Yes. Our standard sort of supply agreement is approximately 3 years in length. It carries with it a set amount of prices for the products that they are purchasing. It has in it standard price escalators, depending on the products, depending on the volumes that they are purchasing and the increases that they expect over those years. And then typically, we begin discussing with those partners about 6 months in advance of the end of those agreements, you know, renewing those agreements, and, you know, given our performance, given their needs, you know, that's usually the right time for us to begin those discussions and then have translated into extensions of those agreements for longer periods.

Nicholas Sherwood
Maxim Group LLC, Research Division

Okay, understood. And then I know you said you'd provide more forthcoming details, but I'm going to ask a question about the medical device opportunity you mentioned earlier. Anyway, how should we think about how it's going to settle and, you know, compare with your current portfolio of products? Is this going to be something that's going to be easily bundled with your current products? Either enhance their efficacy or efficiency, or is this more of something where it's going to be depending on your partner? This is going to be something that's going to be applicable to them, and it'll also be able to be used with your current product base.

Mark Strobeck
President, CEO & Director

Yes, so as we've spoken about previously, we've been looking for opportunities for us to in particular fold into our existing product portfolio that we think targets a large enough market opportunity to make it worth the investment for us to develop, ultimately register, and begin to start to sell and distribute a product. We've looked at a number of different opportunities. And this is 1 that we feel very strongly about that the data supports that if we are able to develop this product, register it, and begin to distribute it, really targets a large opportunity, folds directly into the current portfolio of products that we make. We would be potentially the only other supplier of this type of product in the United States.

And I think that offers a pretty significant opportunity for us. So with all of that analysis behind it, we took the decision to begin the process of developing that product. And as I mentioned in the discussion, this will be entirely funded by our balance sheet. We don't need to go out and raise additional funding to support this. We think we can do it based on our current operating plan. And that also makes it equally attractive to us.

Nicholas Sherwood
Maxim Group LLC, Research Division

Okay, yes, great. Thank you for all those details. I'll return to the queue.

Operator

Your next question comes from Ram Selvaraju with H.C. Wainwright. Please go ahead.

Unknown Analyst

Good morning. This is [Katie] on for Ram. Beyond the manufacturing costs and volume drivers you've called out, is there a product mix component to the West Coast growth and to your path towards the high end of the 18% to 22% margin guide? On top of that, what's the plan to keep growing that Western business from here?

Jesse Neri
Senior VP & CFO

So in terms of the product mix, I could help that. The Western product is more skewed towards our liquid products, which as you know we are the leading manufacturer of. So that's generally, it's a higher margin profile, but in terms of customers, I'll turn it over to Mark.

Mark Strobeck
President, CEO & Director

Yes. And then I think as far as, you know, continuing to expand our customer base out in the West, you know part of that is you know I think educating you know dialysis centers that are present in the West that Rockwell is you know now present now manufacturing products and has a path to distribute those products in that region. So it's really us going out and starting to more aggressively meet with those clinics, whether it's a large clinic or it's a medium dialysis organization letting them know that there is an alternative out there to the single provider that they've been largely locked into having to buy products from, and that's our path to continue to grow.

Obviously the success of our supply and the customers that we currently have is also starting to ripple through the marketplace. And so the combination of those 2, I think are going to be incredibly important and helpful for us to drive growth further in the West.

Unknown Analyst

Great. If I could, 1 quick follow-on. For that incremental volume growth, I think you sort of alluded to it, does that carry a margin similar to the corporate average, or are you seeing any kind of dilution by the freight onboarding costs as this business matures?

Mark Strobeck
President, CEO & Director

So for the incremental growth that we've seen over the quarter, that is consistently higher than the corporate average.

Operator

Great. Thank you. We have reached the end of the Q&A session. I will now turn the call back over to Dr. Strobeck for closing remarks.

Mark Strobeck
President, CEO & Director

As we conclude today's call, I want to reiterate that our focus remains unchanged. Growing revenue, expanding margins, generating positive cash flow, and creating long-term value for our shareholders. The results we've reported today reflect the progress we are making against those objectives, including revenue growth, improved profitability, and improved performance. continued operational efficiencies, and a strong cash position.

While we remain focused on executing our strategy, we are confident that the actions we have taken combined with the opportunities ahead of us position Rockwell Medical for continued growth and value creation. We appreciate the continued dedication of our employees, the trust of our customers, and the support of our shareholders. We look forward to updating you on our progress in the quarters ahead.

Operator
This concludes today's call. Thank you for attending. You may now disconnect.