



Harrow Announces Third Quarter 2024 Financial Results

November 13, 2024

Third Quarter 2024 and Recent Selected Highlights:

- Revenues increased 44% from \$34.3 million in the prior-year quarter to \$49.3 million
- GAAP net loss of \$(4.2) million
- Adjusted EBITDA of \$8.8 million
- Operating cash flow of \$3 million
- Cash and cash equivalents of \$72.6 million as of September 30, 2024
- VEVYE® total prescriptions up 55% over the second quarter of 2024
- IHEEZO® customer unit demand volume up 15% over the second quarter of 2024
- TRISENCE® October 2024 relaunch underway
- Expansion of access and affordability through multiple new partnerships
- First major Medicare Part D win for VEVYE with major plan sponsors
- Fourth quarter revenue indicates meaningful overperformance of 2024 revenue guidance from the capture of third quarter revenue slack and positive demand trends for VEVYE, IHEEZO, and TRISENCE

NASHVILLE, Tenn.--(BUSINESS WIRE)--Nov. 13, 2024-- Harrow (Nasdaq: HROW), a leading North American eyecare pharmaceutical company, announced results for the third quarter and nine months ended September 30, 2024. The Company also posted its third quarter [Letter to Stockholders](#) and [corporate presentation](#) to the “Investors” section of its website, harrow.com. The Company encourages all Harrow stockholders to review these documents, which provide additional details concerning the historical quarterly period and future expectations for the business.

This press release features multimedia. View the full release here: <https://www.businesswire.com/news/home/20241113897614/en/>

“We are pleased with our progress in the third quarter of 2024,” said Mark L. Baum, Chief Executive Officer of Harrow. “Alongside 44% year-over-year revenue growth, we achieved a modest sequential revenue increase, despite the third quarter’s traditional summer seasonality and operational bumps that pushed some third quarter revenue into the fourth quarter. Nevertheless, our expected revenue overperformance in the second half of 2024 versus the first half remains intact, as are our longer-term growth plans. We are seeing strong performance thus far in the fourth quarter, traditionally our strongest, for what we expect to be a record-breaking finish to a truly transformative year for Harrow.”

Third quarter 2024 figures of merit:

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|--|---|---------------|--|---------------|
| | 2024 | 2023 | 2024 | 2023 |
| Total revenues | \$ 49,257,000 | \$ 34,265,000 | \$ 132,783,000 | \$ 93,838,000 |
| Gross margin | 76% | 71% | 74% | 70% |
| Core gross margin ⁽¹⁾ | 80% | 78% | 78% | 77% |
| Net loss | (4,220,000) | (4,391,000) | (24,258,000) | (15,263,000) |
| Core net loss ⁽¹⁾ | (1,619,000) | (2,983,000) | (13,455,000) | (4,519,000) |
| Adjusted EBITDA ⁽¹⁾ | 8,808,000 | 9,209,000 | 17,838,000 | 25,556,000 |
| Basic and diluted net loss per share | (0.12) | (0.13) | (0.68) | (0.48) |
| Core basic and diluted net loss per share ⁽¹⁾ | (0.05) | (0.09) | (0.38) | (0.14) |

(1) Core gross margin, core net loss, core basic and diluted net loss per share (collectively, “Core Results”), and Adjusted EBITDA are non-GAAP measures. For additional information, including a reconciliation of such Core Results and Adjusted EBITDA to the most directly comparable measures presented in accordance with GAAP, see the explanation of non-GAAP measures and reconciliation tables at the end of this release.

Conference Call and Webcast

The Company’s management team will host a conference call and live webcast tomorrow morning, Thursday, November 14, 2024, at 8:00 a.m. Eastern time to discuss the third quarter 2024 results and provide a business update. Participants can access the live conference call via webcast on the “Investors” page of Harrow’s website. To participate via telephone, please register in advance

using this [link](#). Upon registration, all telephone participants will receive a confirmation email with detailed instructions, including a unique dial-in number and PIN, for accessing the call. A replay of the conference call webcast will be archived on the Company's website for one year.

About Harrow

Harrow, Inc. (Nasdaq: HROW) is a leading eyecare pharmaceutical company engaged in the discovery, development, and commercialization of innovative ophthalmic pharmaceutical products for the North American market. Harrow helps eyecare professionals preserve the gift of sight by making its portfolio of prescription and non-prescription pharmaceutical products accessible and affordable to millions of patients each year. For more information about Harrow, please visit harrow.com.

Forward-Looking Statements

This press release contains "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Any statements in this release that are not historical facts may be considered such "forward-looking statements." Forward-looking statements are based on management's current expectations and are subject to risks and uncertainties which may cause results to differ materially and adversely from the statements contained herein. Some of the potential risks and uncertainties that could cause actual results to differ from those predicted include, among others, risks related to: liquidity or results of operations; our ability to successfully implement our business plan, develop and commercialize our products, product candidates and proprietary formulations in a timely manner or at all, identify and acquire additional products, manage our pharmacy operations, service our debt, obtain financing necessary to operate our business, recruit and retain qualified personnel, manage any growth we may experience and successfully realize the benefits of our previous acquisitions and any other acquisitions and collaborative arrangements we may pursue; competition from pharmaceutical companies, outsourcing facilities and pharmacies; general economic and business conditions, including inflation and supply chain challenges; regulatory and legal risks and uncertainties related to our pharmacy operations and the pharmacy and pharmaceutical business in general; physician interest in and market acceptance of our current and any future formulations and compounding pharmacies generally. These and additional risks and uncertainties are more fully described in Harrow's filings with the Securities and Exchange Commission (SEC), including its Annual Report on Form 10-K for the year ended December 31, 2023, subsequent Quarterly Reports on Form 10-Q, and other filings with the SEC. Such documents may be read free of charge on the SEC's web site at sec.gov. Undue reliance should not be placed on forward-looking statements, which speak only as of the date they are made. Except as required by law, Harrow undertakes no obligation to update any forward-looking statements to reflect new information, events, or circumstances after the date they are made, or to reflect the occurrence of unanticipated events.

HARROW, INC. CONDENSED CONSOLIDATED BALANCE SHEETS

| | <u>September 30, 2024</u> | <u>December 31, 2023</u> |
|---|-------------------------------|------------------------------|
| | <i>(unaudited)</i> | |
| ASSETS | | |
| Cash and cash equivalents | \$ 72,601,000 | \$ 74,085,000 |
| All other current assets | 74,461,000 | 65,397,000 |
| Total current assets | 147,062,000 | 139,482,000 |
| All other assets | 204,477,000 | 172,682,000 |
| TOTAL ASSETS | \$ 351,539,000 | \$ 312,164,000 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | \$ 95,005,000 | \$ 49,344,000 |
| Loans payable, net of unamortized debt discount | 186,057,000 | 183,172,000 |
| All other liabilities | 12,856,000 | 9,237,000 |
| TOTAL LIABILITIES | 293,918,000 | 241,753,000 |
| TOTAL STOCKHOLDERS' EQUITY | 57,621,000 | 70,411,000 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$ 351,539,000 | \$ 312,164,000 |

HARROW, INC. UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

| | <u>For the Three Months Ended September 30,</u> | | <u>For the Nine Months Ended September 30,</u> | |
|----------------|---|---------------|--|---------------|
| | <u>2024</u> | <u>2023</u> | <u>2024</u> | <u>2023</u> |
| Total revenues | \$ 49,257,000 | \$ 34,265,000 | \$ 132,783,000 | \$ 93,838,000 |

| | | | | |
|--|-----------------------|-----------------------|------------------------|------------------------|
| Cost of sales | 12,018,000 | 10,067,000 | 35,110,000 | 28,338,000 |
| Gross profit | 37,239,000 | 24,198,000 | 97,673,000 | 65,500,000 |
| Selling, general and administrative | 33,645,000 | 21,033,000 | 94,275,000 | 56,878,000 |
| Research and development | 2,273,000 | 1,421,000 | 7,475,000 | 3,316,000 |
| Total operating expenses | 35,918,000 | 22,454,000 | 101,750,000 | 60,194,000 |
| Income (loss) from operations | 1,321,000 | 1,744,000 | (4,077,000) | 5,306,000 |
| Total other expense, net | 5,521,000 | 4,596,000 | 19,506,000 | 19,333,000 |
| Income tax expense | (20,000) | (1,539,000) | (675,000) | (1,236,000) |
| Net loss attributable to Harrow, Inc. | \$ (4,220,000) | \$ (4,391,000) | \$ (24,258,000) | \$ (15,263,000) |
| Net loss per share of common stock, basic and diluted | \$ (0.12) | \$ (0.13) | \$ (0.68) | \$ (0.48) |

HARROW, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

| | For the Nine Months Ended September 30, | |
|--|--|----------------------|
| | 2024 | 2023 |
| Net cash (used in) provided by: | | |
| Operating activities | \$ (4,423,000) | \$ (4,856,000) |
| Investing activities | 4,396,000 | (152,350,000) |
| Financing activities | (1,457,000) | 126,546,000 |
| Net change in cash and cash equivalents | (1,484,000) | (30,660,000) |
| Cash and cash equivalents at beginning of the period | 74,085,000 | 96,270,000 |
| Cash and cash equivalents at end of the period | \$ 72,601,000 | \$ 65,610,000 |

Non-GAAP Financial Measures

In addition to the Company's results of operations determined in accordance with U.S. generally accepted accounting principles (GAAP), which are presented and discussed above, management also utilizes Adjusted EBITDA and Core Results, unaudited financial measures that are not calculated in accordance with GAAP, to evaluate the Company's financial results and performance and to plan and forecast future periods. Adjusted EBITDA and Core Results are considered "non-GAAP" financial measures within the meaning of Regulation G promulgated by the SEC. Management believes that these non-GAAP financial measures reflect an additional way of viewing aspects of the Company's operations that, when viewed with GAAP results, provide a more complete understanding of the Company's results of operations and the factors and trends affecting its business. Management believes Adjusted EBITDA and Core Results provide meaningful supplemental information regarding the Company's performance because (i) they allow for greater transparency with respect to key metrics used by management in its financial and operational decision-making; (ii) they exclude the impact of non-cash or, when specified, non-recurring items that are not directly attributable to the Company's core operating performance and that may obscure trends in the Company's core operating performance; and (iii) they are used by institutional investors and the analyst community to help analyze the Company's results. However, Adjusted EBITDA, Core Results, and any other non-GAAP financial measures should be considered as a supplement to, and not as a substitute for, or superior to, the corresponding measures calculated in accordance with GAAP. Further, non-GAAP financial measures used by the Company and the way they are calculated may differ from the non-GAAP financial measures or the calculations of the same non-GAAP financial measures used by other companies, including the Company's competitors.

Adjusted EBITDA

The Company defines Adjusted EBITDA as net loss, excluding the effects of stock-based compensation and expenses, interest, taxes, depreciation, amortization, investment loss (income), net, and, if any and when specified, other non-recurring income or expense items. Management believes that the most directly comparable GAAP financial measure to Adjusted EBITDA is net loss. Adjusted EBITDA has limitations and should not be considered as an alternative to gross profit or net loss as a measure of operating performance or to net cash (used in) provided by operating, investing, or financing activities as a measure of ability to meet cash needs.

The following is a reconciliation of Adjusted EBITDA, a non-GAAP measure, to the most comparable GAAP measure, net loss, for the three months and nine months ended September 30, 2024 and for the same periods in 2023:

HARROW, INC.

RECONCILIATION OF NET LOSS TO ADJUSTED EBITDA

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---------------------------------------|---|----------------|--|--------------------------|
| | 2024 | 2023 | 2024 | 2023 |
| GAAP net loss | \$ (4,220,000) | \$ (4,391,000) | \$ (24,258,000) | \$ (15,263,000) |
| Stock-based compensation and expenses | 4,385,000 | 4,476,000 | 12,825,000 | 11,521,000 |
| Interest expense, net | 5,525,000 | 5,749,000 | 16,411,000 | 16,200,000 |
| Income taxes | 20,000 | 1,539,000 | 675,000 | 1,236,000 |
| Depreciation | 497,000 | 405,000 | 1,382,000 | 1,095,000 |
| Amortization of intangible assets | 2,605,000 | 2,584,000 | 7,708,000 | 7,634,000 |
| Investment loss (income), net | - | (1,348,000) | 3,171,000 | (2,676,000) |
| Other (income) expense, net | (4,000) | 195,000 | (76,000) | 5,809,000 ⁽¹⁾ |
| Adjusted EBITDA | \$ 8,808,000 | \$ 9,209,000 | \$ 17,838,000 | \$ 25,556,000 |

(1) Includes \$5,465,000 for the loss on extinguishment of debt.

Core Results

Harrow Core Results, including core gross margin, core net loss, and core basic and diluted loss per share exclude (1) all amortization and impairment charges of intangible assets, excluding software development costs, (2) net gains and losses on investments and equity securities, including equity method gains and losses and equity valued at fair value through profit and loss (FVPL), and preferred stock dividends, and (3) gains/losses on forgiveness of debt. In certain periods, Core Results may also exclude fair value adjustments of financial assets in the form of options to acquire a company carried at FVPL, obligations related to product recalls, certain acquisition-related items, restructuring charges/releases and associated items, related legal items, gains/losses on early extinguishment of debt or debt modifications, impairments of property, plant and equipment and software, as well as income and expense items that management deems exceptional and that are or are expected to accumulate within the year to be over a \$100,000 threshold.

The following is a reconciliation of Core Results, non-GAAP measures, to the most comparable GAAP measures for the three months and nine months ended September 30, 2024 and for the same periods in 2023:

| For the Three Months Ended September 30, 2024 | | | | | |
|---|-----------------|--|---------------------|----------------|-----------------|
| | GAAP Results | Amortization of Certain Intangible Assets | Investment Gains | Other Items | Core Results |
| Gross profit | \$ 37,239,000 | \$ 2,191,000 | \$ - | \$ - | \$ 39,430,000 |
| Gross margin | 76% | | | | 80% |
| Operating income | 1,321,000 | 2,605,000 | - | - | 3,926,000 |
| (Loss) income before taxes | (4,200,000) | 2,605,000 | - | (4,000) | (1,599,000) |
| Taxes | (20,000) | - | - | - | (20,000) |
| Net (loss) income | (4,220,000) | 2,605,000 | - | (4,000) | (1,619,000) |
| Basic and diluted loss per share (\$) ⁽¹⁾ | (0.12) | | | | (0.05) |
| Weighted average number of shares of common stock outstanding, basic and diluted | 35,702,200 | | | | 35,702,200 |

| For the Nine Months Ended September 30, 2024 | | | | | |
|--|-----------------|--|---------------------|----------------|-----------------|
| | GAAP Results | Amortization of Certain Intangible Assets | Investment Gains | Other Items | Core Results |
| Gross profit | \$ 97,673,000 | \$ 6,471,000 | \$ - | \$ - | \$ 104,144,000 |
| Gross margin | 74% | | | | 78% |
| Operating loss | (4,077,000) | 7,708,000 | - | - | 3,631,000 |
| (Loss) income before taxes | (23,583,000) | 7,708,000 | 3,171,000 | (76,000) | (12,780,000) |
| Taxes | (675,000) | - | - | - | (675,000) |
| Net (loss) income | (24,258,000) | 7,708,000 | 3,171,000 | (76,000) | (13,455,000) |

| | | |
|--|------------|------------|
| Basic and diluted loss per share (\$) ⁽¹⁾ | (0.68) | (0.38) |
| Weighted average number of shares of common stock outstanding, basic and diluted | 35,597,409 | 35,597,409 |

For the Three Months Ended September 30, 2023

| | GAAP Results | Amortization of Certain Intangible Assets | Investment Gains | Other Items | Core Results |
|--|-------------------------|--|-----------------------------|------------------------|-------------------------|
| Gross profit | \$ 24,198,000 | \$ 2,480,000 | \$ - | \$ - | \$ 26,678,000 |
| Gross margin | 71% | | | | 78% |
| Operating income | 1,744,000 | 2,584,000 | - | - | 4,328,000 |
| (Loss) income before taxes | (2,852,000) | 2,584,000 | (1,348,000) | 195,000 | (1,421,000) |
| Taxes | (1,539,000) | - | - | - | (1,539,000) |
| Net (loss) income | (4,391,000) | 2,584,000 | (1,348,000) | 195,000 | (2,960,000) |
| Basic and diluted loss per share (\$) ⁽¹⁾ | (0.13) | | | | (0.09) |
| Weighted average number of shares of common stock outstanding, basic and diluted | 34,255,197 | | | | 34,255,197 |

For the Nine Months Ended September 30, 2023

| | GAAP Results | Amortization of Certain Intangible Assets | Investment Losses | Other Items | Core Results |
|--|-------------------------|--|------------------------------|------------------------|-------------------------|
| Gross profit | \$ 65,500,000 | \$ 7,174,000 | \$ - | \$ - | \$ 72,674,000 |
| Gross margin | 70% | | | | 77% |
| Operating income | 5,306,000 | 7,634,000 | - | - | 12,940,000 |
| (Loss) income before taxes | (14,027,000) | 7,634,000 | (2,676,000) | 5,786,000 | (3,283,000) |
| Taxes | (1,236,000) | - | - | - | (1,236,000) |
| Net (loss) income | (15,263,000) | 7,634,000 | (2,676,000) | 5,786,000 | (4,519,000) |
| Basic and diluted loss per share (\$) ⁽¹⁾ | (0.48) | | | | (0.14) |
| Weighted average number of shares of common stock outstanding, basic and diluted | 31,689,947 | | | | 31,689,947 |

(1) Core basic and diluted loss per share is calculated using the weighted-average number of shares of common stock outstanding during the period. Core basic and diluted loss per share also contemplates dilutive shares associated with equity-based awards as described in Note 2 and elsewhere in the Condensed Consolidated Financial Statements included in the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2024.

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