

ZYXI Earnings Call Transcript

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Quarter: 3

Operator: Excuse me, ladies and gentlemen. This is the operator speaking. Please continue to stand by, and your conference will begin momentarily. Thank you. Excuse me, ladies and gentlemen. This is the operator. Please continue to stand by. Your conference will begin momentarily. Thank you. Good morning, ladies and gentlemen, and thank you for standing by. Welcome to the Zynex, Inc. Third Quarter 2025 Earnings Conference Call. At this time, all participants are in a listen-only mode. As a reminder, this conference is being recorded. I would now like to turn the conference over to Vikram Bajaj, Chief Financial Officer of Zynex, Inc. Please go ahead.

Vikram Bajaj: Thank you, operator. And good afternoon, everyone. Yesterday, we released financial results for the third quarter ended September 30, 2025. A copy of the press release is available on the company's website. Before we begin, I would like to remind you that during this conference call, the company will make projections and forward-looking statements regarding future events. We encourage you to review the company's past and future filings with the SEC, including, without limitation, the company's 2024 Form 10-K and subsequent Form 10-Qs, along with any amendments which identify the specific factors that may cause actual results or events to differ materially from those described in these forward-looking statements. These factors may include, without limitation, statements regarding product development, product potential, the regulatory and legal environment, sales and marketing strategy, restructuring activities, or operating performance. With that, I'll now turn the call over to Steven Dyson, our CEO.

Steven Dyson: Thank you, Vikram. And good morning to everyone attending today's earnings call. It's been three months since Vikram and I joined the company. And since joining, we have been tirelessly focused on addressing the business and compliance challenges at Zynex, Inc. while creating a new future for the company. As you will already know from our public disclosures, we have an entirely new management team with the addition of new leaders in sales, legal, compliance, regulatory, HR, and billing, as well as a recent addition to our leadership team in the critical role of strategic marketing. We have also complemented our governance and oversight with the addition of two new directors on our board, Brett Wise and Paul Aronson. Brett is our new audit committee chair, and he brings a wealth of experience in healthcare and med tech, as well as financial expertise with a strong background in compliance oversight. Paul Aronson is the chair of our special committee, which is tasked with overseeing the company's efforts to evaluate strategic alternatives for the company, including potential capital raising opportunities and recapitalization and restructuring strategies. As you can see from these additions, we have recruited a highly experienced and capable team to help turn the company around. Now, this is my first earnings call with investors. I thought it would be good to share a few points on the value I see in the Zynex, Inc. franchise, as well as our near-term strategy and priorities. The first thing to appreciate is the quality of our flagship product, the NexWave electrotherapy device. The NexWave device is cleared by the FDA for chronic and acute pain indications. The NexWave is a product that is very much loved by our patients and clinicians. People suffering with pain are looking for non-pharmaceutical ways to get back on their feet, and this company has a great product with the reach and the channel to provide life-changing relief to individuals while providing significant value to the healthcare system. We have thousands of patient testimonials supporting the effectiveness of the NexWave device, and it represents an amazing business opportunity. This is the main reason I came to

Zynex, Inc., and it is the main reason we have been able to attract great talent to the management team and directors. Moving on to our strategy and priorities. Over the last ninety days, we've been implementing a three-part strategy to turn the company around. First, addressing the concerns of government agencies and ongoing investigations. Second, addressing the near-term maturity of our \$60 million in convertible senior notes, and liquidity concerns, and seeking to raise new capital to fund operations. And third, improving revenue and cash flow performance of the core business. First, as it relates to government investigations, we are proactively engaging with government agencies and investigators in a collaborative way to deliver a new future for Zynex, Inc. that is focused on compliance and integrity. These discussions have been positive, and we are making progress on our commitments. While we do not have certainty on any potential TRICARE reinstatement or resolution of ongoing investigations, or the timing thereof, it will be critical as we move forward to reach resolution based on the company's commitment to the future. In support of our renewed commitment to compliance and integrity, starting October 1, we implemented a new resupply order fulfillment policy. Under this new policy, we do not process resupply orders unless a patient first confirms their needs. We systematically reach out to each patient to ask about their resupply needs, and patients can contact us at any time. We are already seeing good results. Not only is the policy leading to far more regular patient contact, but our patients are responding positively. We expect these efforts to result in a significant improvement in how patients, public and private payers, and their providers experience doing business with Zynex, Inc. Second, we need to manage the company's near-term debt obligations as we seek to raise additional capital. As you know, we have \$60 million in convertible senior notes that mature in May 2026. Also in Q3, we had negative cash flow of \$6.3 million. And as of September 30, the company had cash and cash equivalents of \$13.3 million on the balance sheet. It is important that we address the convertible notes maturity and our cash burn relative to the amount of our cash and cash equivalents in order to continue as a going concern and give certainty to our customers and suppliers that we could honor our commitments going forward. As you have seen in our announcements, we have recently hired Providence LLC to advise the company on various strategic and financing alternatives and evaluate a range of strategic alternatives, including potential capital raising and restructuring strategies. We've also formed a highly experienced special committee of the board of directors to oversee this process. We have initiated collaborative discussions with our debt holders, and while we cannot predict the outcome, we believe that our business plans for the future are compelling and will be critical to this process. Third, we need to address the company's revenue and cash flow performance. Since I started, we have initiated several quick-win projects in multiple functions within the company, focused on near-term performance improvements in Salesforce productivity, order conversion efficiency, and collections. These efforts are showing early signs of success and are bearing fruit. After customer order volume had been down for many months sequentially, we have recently seen orders stabilize, even with a substantially reduced sales force. To increase sales productivity and improve order volumes, we have improved and simplified our commission plans, provided improved communication and technology to our sales reps, and increased their focus on targeted accounts. We have also engaged with a new partner for our VA business, and early signs there point to a good opportunity for increased penetration to VA accounts. So these are the three key elements of our strategies to turn around the company's performance and create a new future for Zynex, Inc. While our Q3 performance released yesterday is more of a continuation of the challenges from the first two quarters, I'm encouraged to see progress in all three elements of our strategy. Now I'll turn the call back over to Vikram, our CFO, to give you an overview of our Q3 financial results.

Vikram Bajaj: Thank you, Steven. Please refer to our press release issued yesterday for our summary of financial results for the third quarter ended September 30, 2025. Net revenue was \$13.4 million compared to \$50 million in 2024. Device revenue was \$7.1 million, and supplies revenue was \$6.3 million. The decline in net revenue for the three months ended September 30, 2025, compared to the prior year period, is primarily related to the company's TRICARE payment suspension, along with a \$2.8 million reduction in revenue related to payments received from TRICARE during the suspension period. Through 2025, changes to certain payers' claim submission review practices have resulted in denials and payment delays, which have negatively impacted our revenue. Additionally, Q1 and Q2 workforce reductions in many functions, including sales, have negatively impacted device orders and

corresponding supplies, new patient onboarding, and order completion, contributing to the overall decline in net revenue during the three months ended September 30, 2025. Gross profit in the third quarter was \$8.1 million or 60% of revenue, as compared to \$39.8 million or 80% of revenue in Q3 2024. Sales and marketing expenses decreased 54% to \$9.5 million in the third quarter of 2025. The primary contributor to the decrease in sales and marketing expenses was a headcount reduction. G&A; expenses were \$11.8 million in 2025 compared to \$15.3 million in Q3 last year. Net loss was also negatively impacted by a non-cash asset impairment charge of \$50.7 million during the quarter ended September 30, 2025, primarily related to goodwill, definite-lived intangible assets, and certain fixed assets associated with Zynex, Inc. monitoring solutions. Net loss was \$42.9 million and \$1.42 per share in 2025 compared to net income of \$2.4 million in 2024. Adjusted EBITDA loss for the three months ended September 30, 2025, was \$12.3 million, as compared to adjusted EBITDA of positive \$5.1 million in the quarter ended September 30, 2024. On the balance sheet, we have \$13.3 million of cash in hand at September 30, 2025, and we're able to reduce our cash burn during the quarter. As part of our cash management program, Zynex, Inc. has elected to enter the contractual thirty-day grace period under the terms of the company's \$60 million of convertible notes and did not make a \$1.5 million interest payment due November 17, 2025. The company is in discussions with holders of the convertible notes regarding potential restructuring opportunities. Our convertible debt of \$60 million is due May 2026, so you'll notice it's now a current liability. We are currently working with our advisers to address this liability. I'll now turn the call back to Steven.

Steven Dyson: Thank you, Vikram. And thank you for joining us today. We appreciate your time and interest in Zynex, Inc. Have a great day.

Operator: Thank you. And ladies and gentlemen, this now concludes today's conference call. Thank you all for joining. You may now disconnect.