

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 8-K
CURRENT REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED)

April 25, 2018

SHARPS COMPLIANCE CORP.

Commission File No. 001-34269

(Exact Name Of Registrant As Specified In Its Charter)

Delaware
(State Or Other Jurisdiction Of
Incorporation Or Organization)

74-2657168
(IRS Employer
Identification No.)

9220 Kirby Drive, Suite 500
Houston, Texas 77054
(Address Of Principal Executive Offices)

Registrant's Telephone Number, Including Area Code)

713-432-0300

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-

TABLE OF CONTENTS

Item 2.02 Disclosure of Results of Operations of Financial Condition

Item 9.01 Financial Statements and Exhibits

SIGNATURES

INDEX TO EXHIBITS

Press Release

Item 2.02. Results of Operations and Financial Condition.

On April 25, 2018, the Company announced its results of operations for the three and six months ended December 31, 2017. A copy of the earnings release is attached as Exhibit 99.1.

The information in this Current Report is being furnished pursuant to Item 2.02 including Exhibit 99.1 of Form 8-K and shall not be deemed to be “filed” for the purposes of Section 18 of the Securities Act of 1934, as amended (the “Exchange Act”), and Section 11 of the Securities Act of 1933, as amended, otherwise subject to the liabilities of those sections nor incorporated by reference in any filing under the Exchange Act unless specifically referenced in such subsequent filing as being incorporated by reference. The Company does not undertake a duty to update the information in this Current Report and cautions that the information included in this Current Report is current only as of April 25, 2018 and may change thereafter.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Information

Not applicable.

(b) Pro Forma Financial Information

Not applicable.

(c) Exhibits

| Exhibit | Description |
|---------|-------------|
|---------|-------------|

| | |
|------|--------------------------------------|
| 99.1 | Press Release, dated April 25, 2018. |
|------|--------------------------------------|

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 hereunto duly authorized.

Date: April 25, 2018

SHARPS COMPLIANCE CORP.

By: /s/ DIANA P. DIAZ

Diana P. Diaz

Vice President and Chief Financial Officer

INDEX TO EXHIBITS

| Exhibit Number | Description |
|-----------------------|-------------------------------------|
| 99.1 | Press Release, dated April 25, 2018 |

IMMEDIATE RELEASE

Sharps Compliance Reports Fiscal 2018 Third Quarter Results

- **Quarterly revenue of \$9.4 million increased 10% over the prior year third quarter**
- **Unused Medication solutions business increased 111%; represents over 20% of total Company billings**
- **Route-based business increased 15%**
- **Unused medication management and route-based services represented over 40% of the Company's March 2018 quarter customer billing**
- **MedSafe collection receptacles installed base of 2,173 units versus 876 a year ago**
- **Retail market billings increased 104%**

HOUSTON, Texas, April 25, 2018 - Sharps Compliance Corp. (NASDAQ: SMED) ("Sharps" or the "Company"), a leading full-service national provider of comprehensive waste management solutions including medical, pharmaceutical and hazardous, today reported financial results for the third quarter and first nine months of fiscal year 2018, which ended March 31, 2018.

Revenue in the third quarter of fiscal 2018 increased 10% to \$9.4 million, as compared to revenue of \$8.6 million in the same prior year quarter, with gross margin of 24%, a decline from gross margin of 27% in the third quarter of fiscal 2017. Gross margin was adversely impacted in the third quarter by unplanned incremental costs associated with the Company's treatment facility and route based operations in the Northeast related to severe winter storms. The gross margin also reflects a lower margin on unused medication collection receptacles related to the launch of a major new program. The Company reported an operating loss of \$0.7 million in the third quarter of fiscal 2018, compared to an operating loss of \$0.6 million in the third quarter of fiscal 2017. Sharps recorded a net loss of \$0.8 million or (\$0.05) per basic and diluted share in the third quarter of fiscal 2018, compared to a net loss of \$0.7 million or (\$0.04) per basic and diluted share in the third quarter of fiscal 2017.

David P. Tusa, President and Chief Executive Officer of Sharps, stated, "The revenue and billings growth in the March quarter was driven by stronger sales of our unused medication treatment solutions including the MedSafe and growth in our route-based medical waste pick-up business. The proper management of unused medications, including controlled substances, remains a national concern and represents what we believe to be an estimated \$1 billion market opportunity with Sharps Compliance as the leader in penetrating this market. Billings contribution related to unused medications doubled in the quarter from 10% to 20% of total billings.

"We saw continued momentum in our route-based business which grew by 15% and contributed 21% of billings in the third quarter. We believe our ability to provide customers with cost-efficient solutions, be it pick-up, mailback or a combination thereof, reasonable contract terms, online training and tracking tools plus great customer service and superior regulatory support, positions us very well to capture additional market share of the small to medium quantity medical waste management business across the country."

Strategic Transformation

Tusa added, "I believe it's important to highlight the fact that over 40% of our customer billings for the March quarter were generated by solution offerings launched over the past two years. This strategic move was a result of a number of factors including recognizing that we could not grow a company based primarily on a seasonal, unpredictable and uncontrollable flu season mailback business. We also recognized that we needed complementary solutions that could be sold into our existing and prospective customer base to accelerate our penetration rate in the medical waste management business. Additionally, we saw the opportunity to expand our offerings to include unused medication management at a time when the country is looking for solutions to facilitate proper disposal of unused medications including controlled substances and to help the country address the opioid crisis."

Third Quarter Review

Professional market billings increased 7% to \$3.2 million in the third quarter of fiscal 2018 compared to \$3.0 million in the prior year period. This increase represents organic growth related to the Company's focus on securing customers from the small to medium quantity generator sector, made up of physicians, clinics, dentists, surgery centers, veterinarians and other healthcare professionals, who typically use a combination of the cost-effective and convenient Sharps Recovery System™ and the Company's route-based pick-up services. The Company's inside and online sales channel, which primarily targets the Professional and Government markets, realized a 24% increase in billings to \$1.9 million in the fiscal 2018 third quarter as compared to \$1.5 million in the same prior year period.

Retail market billings increased 104% to \$1.6 million compared with \$0.8 million in the prior year period, reflecting significantly increased order activity for the unused medication solutions including the MedSafe in the Retail pharmacy market.

Pharmaceutical Manufacturer billings decreased 29% to \$1.0 million in the third quarter of fiscal 2018 compared to \$1.4 million in the third quarter of fiscal 2017. The decrease is related to the timing of inventory builds for patient support programs.

Assisted Living market billings grew 5% to \$0.7 million for the third quarter of fiscal 2018 and third quarter 2018 Home Health Care billings remained consistent at \$1.9 million.

Government billings increased 23% to \$0.5 million in the third quarter of fiscal 2018. Government market billings included \$0.1 million of orders under the VA's Blanket Purchase Agreement, consistent with the third quarter of fiscal 2017. MedSafe related orders to the government market were \$0.3 million for the third quarter of fiscal 2018, an increase over billings in the third quarter of fiscal 2017 which were \$0.2 million.

Additional Operating Results

SG&A of \$2.8 million, or 30% of revenue, for the third quarter of fiscal 2018 was consistent with SG&A of \$2.8 million, or 32% of revenue, in the third quarter of the prior year.

Sharps recorded an EBITDA loss of (\$0.3 million) in the third quarter of fiscal 2018 as compared to EBITDA loss of (\$0.2 million) in the third quarter of fiscal 2017. (See *Reconciliation of Net Loss to EBITDA in the supplemental table included at the end of this release*).

First Nine Months 2018 Review

Sharps recorded revenue of \$30.2 million in the first nine months of 2018, an increase of 9% compared to revenue of \$27.8 million in the first nine months of 2017. Customer billings increased 9% to \$30.0 million in the first nine months of fiscal 2018. Professional billings increased 9.3% to \$9.6 million in the first nine months of fiscal 2018 as compared to \$8.8 million in the prior year period. In the first nine months of fiscal 2018, Retail billings increased 25% to \$5.6 million as compared to \$4.5 million in the first nine months of fiscal 2017. Pharmaceutical Manufacturer billings decreased 13% to \$4.0 million in the first nine months of 2018 as compared to \$4.6 million in the first nine months of fiscal 2017. Home Health Care billings increased 4% to \$6.0 million in the first nine months of fiscal 2018 as compared to \$5.8 million in the prior year period. Assisted Living billings increased 5% to \$1.9 million in the first nine months of fiscal 2018. Government billings increased 19% to \$1.5 million in the first nine months of fiscal 2018 as compared to \$1.2 million in the prior year period.

Gross margin for the first nine months of fiscal 2018 was 28.0%, down slightly as compared to 29.5% in the first nine months of fiscal 2017. Nine-month gross margin was impacted by unplanned incremental costs associated with winter storms in the Northeast and the lower margin associated with the launch of a new unused medication program detailed above. SG&A expense was reduced by 11% to \$8.3 million in the first nine months of fiscal 2018. The first nine months of the prior year included \$0.7 million of one-time expenses related to Sharps' acquisition of Citiwaste. Without these costs, SG&A for the first nine months of fiscal 2017 was \$8.7 million. The decrease in adjusted SG&A of \$0.3 million reflects the impact of cost savings initiatives launched in the second quarter of fiscal 2017. The Company recorded an operating loss of \$0.5 million in the first nine months of fiscal 2018 as compared to an operating loss of \$1.8 million in the first nine months of fiscal 2017.

Net loss for the first nine months of fiscal 2018 was \$0.5 million or (\$0.03) per basic and diluted share, compared to a net loss of \$1.9 million or a net loss of (\$0.12) per basic and diluted share in the first nine months of fiscal 2017. During the first nine months of 2017, the Company recorded approximately \$0.7 million in acquisition related expenses associated with the completion of its acquisition of Citiwaste. Excluding these acquisition related expenses, on a non-GAAP basis, the Company reported an adjusted net loss of \$1.2 million or (\$0.07) per diluted share in the first nine months of 2017. (See *Supplemental Reconciliation of GAAP to Non-GAAP Net Loss Per Share in the supplemental table included at the end of this release*).

Financial Flexibility and a Strong Balance Sheet

Cash and cash equivalents were \$5.5 million at March 31, 2018 compared to \$4.7 million at June 30, 2017. The Company had working capital of \$10.4 million at March 31, 2018 compared to \$10.5 million at June 30, 2017.

Looking Forward

Mr. Tusa concluded, "We continue to position the Company as a comprehensive service provider to multiple markets, offering many solutions including medical waste management via a mail back or pick-up and market leading unused medication management solutions, through our TakeAway Medication Recovery System Envelope or our MedSafe collection receptacle and liner program. We believe each of these markets represents an estimated \$1 billion opportunity with Sharps Compliance positioned as a leading provider thereby creating a significant and unique opportunity for the Company."

Third Quarter Fiscal Year 2018 Webcast and Conference Call

The Company will host a teleconference today beginning at 11:00 a.m. Eastern Time, during which management will review the financial and operating results for the period and discuss Sharps' corporate strategy and outlook. A question-and-answer session will follow.

The Sharps conference call can be accessed by domestic callers by dialing (877) 407-0782. International callers may access the call by dialing (201) 689-8567. The webcast can be monitored at www.sharpsinc.com.

A telephonic replay will be available through May 25, 2018. To listen to the replay, domestic callers should dial (877) 481-4010 and international callers should dial (919) 882-2331 and enter replay ID number 28129. Transcript will also be posted to the Sharps website, once available.

About Sharps Compliance Corp.

Headquartered in Houston, Texas, Sharps Compliance is a leading full-service national provider of comprehensive waste management services including medical, pharmaceutical and hazardous. Its key markets include healthcare facilities, pharmaceutical manufacturers, home healthcare providers, assisted living / long-term care, surgery centers, retail pharmacies and clinics, and the professional market which is comprised of physicians, dentists and veterinary practices. The Company's flagship product, the Sharps Recovery System, is a comprehensive solution for the containment, transportation, treatment and tracking of medical waste and other used healthcare materials. The Company also offers its route-based pick-up service in a twenty-three (23) state region of the South, Southeast and Northeast portions of the United States.

More information on the Company and its products can be found on its website at: www.sharpsinc.com

Safe Harbor Statement

The information made available in this news release contains certain forward-looking statements which reflect Sharps Compliance Corp.'s current view of future events and financial performance. Wherever used, the words "estimate," "expect," "plan," "anticipate," "believe," "may" and similar expressions identify forward-looking statements. Any such forward-looking statements are subject to risks and uncertainties and the Company's future results of operations could differ materially from historical results or current expectations. Some of these risks include, without limitation, the Company's ability to educate its customers, development of public awareness programs to educate the identified consumer, customer preferences, the Company's ability to scale the business and manage its growth, the degree of success the Company has at gaining more large customer contracts, managing regulatory compliance and/or other factors that may be described in the Company's annual report on Form 10-K, quarterly reports on Form 10-Q and/or other filings with the Securities and Exchange Commission. Future economic and industry trends that could potentially impact revenue and profitability are difficult to predict. The Company assumes no obligation to publicly update or revise its forward-looking statements even if experience or future changes make it clear that any projected results, express or implied therein, will not be realized.

Non-GAAP Measures

This release contains certain financial information not derived in accordance with generally accepted accounting principles ("GAAP"), including customer billings information, EBITDA and non-GAAP net income per share. The Company believes this information is useful to investors and other interested parties.

EBITDA is a significant performance metric used by management and by external users of our financial statements such as investors, research analysts and others to assess the financial performance of our assets without regard to financing methods, capital structure or historical cost basis; the ability of our assets to generate cash sufficient to pay interest costs and support our indebtedness; and our operating performance and return on capital as compared to those of other companies in our industry. Such information should not be considered as a substitute for any measure derived in accordance with GAAP, and may not be comparable to other similarly titled measures of other companies. Reconciliation of this information to the most comparable GAAP measures is included as an attachment to this release.

For more information contact:

Diana P. Diaz
Sharps Compliance Corp.
Vice President and Chief Financial Officer
Phone: (713) 660-3547
Email: ddiaz@sharpsinc.com

John Nesbett/Jennifer Belodeau
Institutional Marketing Services (IMS)
Phone: (203) 972-9200
Email: jnesbett@institutionalms.com

FINANCIAL TABLES FOLLOW

Sharps Compliance Corp. and Subsidiaries
Condensed Consolidated Statements of Operations
(in thousands, except per share data)
(Unaudited)

| | Three-Months Ended March 31, | | % Change | Nine-Months Ended March 31, | | % Change |
|--|---------------------------------|------------------|----------|--------------------------------|-------------------|----------|
| | 2018 | 2017 | | 2018 | 2017 | |
| Revenue | \$ 9,427 | \$ 8,588 | 9.8 % | \$ 30,229 | \$ 27,826 | 8.6 % |
| Cost of revenue | 7,131 | 6,236 | 14.4 % | 21,774 | 19,620 | 11.0 % |
| Gross profit | 2,296 | 2,352 | (2.4)% | 8,455 | 8,206 | 3.0 % |
| <i>Gross margin</i> | 24.4 % | 27.4 % | | 28.0 % | 29.5 % | |
| SG&A expense | 2,800 | 2,790 | 0.4 % | 8,346 | 9,388 | (11.1)% |
| Depreciation and amortization | 203 | 200 | | 608 | 600 | |
| Operating Loss | (707) | (638) | | (499) | (1,782) | |
| <i>Operating margin</i> | (7.5)% | (7.4)% | | (1.7)% | (6.4)% | |
| Interest income | 5 | 4 | | 15 | 12 | |
| Interest expense | (23) | (34) | | (70) | (92) | |
| Total other expense | (18) | (30) | | (55) | (80) | |
| Loss before income tax expense (benefit) | (725) | (668) | | (554) | (1,862) | |
| Income tax expense (benefit) | 32 | — | | (28) | — | |
| Net Loss | <u>\$ (757)</u> | <u>\$ (668)</u> | | <u>\$ (526)</u> | <u>\$ (1,862)</u> | |
| Net Loss Per Share | | | | | | |
| Basic and diluted | <u>\$ (0.05)</u> | <u>\$ (0.04)</u> | | <u>\$ (0.03)</u> | <u>\$ (0.12)</u> | |
| Weighted Average Shares Outstanding | | | | | | |
| Basic and Diluted | 16,082 | 15,994 | | 16,046 | 15,930 | |
| Diluted | 16,082 | 15,994 | | 16,046 | 15,930 | |

Sharps Compliance Corp. and Subsidiaries
Condensed Consolidated Balance Sheets
(in thousands)
(Unaudited)

| | March 31, | June 30, |
|--|------------------|-----------------|
| | 2018 | 2017 |
| ASSETS: | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 5,499 | \$ 4,675 |
| Accounts receivable, net | 6,103 | 7,553 |
| Inventory, net | 4,163 | 4,098 |
| Prepaid and other current assets | 761 | 694 |
| Total current assets | 16,526 | 17,020 |
| Property, plant and equipment, net | 6,538 | 6,543 |
| Other assets | 159 | 120 |
| Goodwill | 6,735 | 6,735 |
| Intangible assets, net | 3,648 | 4,046 |
| Total assets | \$ 33,606 | \$ 34,464 |
| LIABILITIES AND STOCKHOLDERS' EQUITY: | | |
| Current liabilities: | | |
| Accounts payable | \$ 1,836 | \$ 1,710 |
| Accrued liabilities | 1,618 | 1,800 |
| Current maturities of long-term debt | 558 | 601 |
| Deferred revenue | 2,107 | 2,421 |
| Total current liabilities | 6,119 | 6,532 |
| Long-term deferred revenue, net of current portion | 475 | 478 |
| Other long-term liabilities | 199 | 165 |
| Long-term debt, net of current portion | 1,594 | 2,002 |
| Total liabilities | 8,387 | 9,177 |
| Stockholders' equity | 25,219 | 25,287 |
| Total liabilities and stockholders' equity | \$ 33,606 | \$ 34,464 |

Sharps Compliance Corp. and Subsidiaries
Supplemental Customer Billing and Revenue Information
(in thousands)
(Unaudited)

Three-Months Ended March 31,

| | 2018 | % Total | 2017 | \$ Change | % |
|-----------------------------|-----------------|----------------|-----------------|------------------|--------------|
| BILLINGS BY MARKET: | | | | | |
| Professional | \$ 3,178 | 34.9% | \$ 2,982 | \$ 196 | 6.6 % |
| Home Health Care | 1,872 | 20.5% | 1,873 | (1) | (0.1)% |
| Retail | 1,640 | 18.0% | 806 | 834 | 103.5 % |
| Pharmaceutical Manufacturer | 973 | 10.7% | 1,377 | (404) | (29.3)% |
| Assisted Living | 657 | 7.2% | 625 | 32 | 5.1 % |
| Government | 520 | 5.7% | 424 | 96 | 22.6 % |
| Environmental | 44 | 0.5% | 149 | (105) | (70.5)% |
| Other | 232 | 2.5% | 195 | 37 | 19.0 % |
| Subtotal | <u>\$ 9,116</u> | <u>100.0%</u> | <u>\$ 8,431</u> | <u>\$ 685</u> | <u>8.1 %</u> |
| GAAP Adjustment * | 311 | | 157 | 154 | |
| Revenue Reported | <u>\$ 9,427</u> | | <u>\$ 8,588</u> | <u>\$ 839</u> | <u>9.8 %</u> |

Nine-Months Ended March 31,

| | 2018 | % Total | 2017 | \$ Change | % |
|-----------------------------|------------------|----------------|------------------|------------------|--------------|
| BILLINGS BY MARKET: | | | | | |
| Professional | \$ 9,634 | 32.1% | \$ 8,817 | \$ 817 | 9.3 % |
| Home Health Care | 5,987 | 19.9% | 5,760 | 227 | 3.9 % |
| Retail | 5,621 | 18.7% | 4,507 | 1,114 | 24.7 % |
| Pharmaceutical Manufacturer | 3,972 | 13.2% | 4,568 | (596) | (13.0)% |
| Assisted Living | 1,882 | 6.3% | 1,789 | 93 | 5.2 % |
| Government | 1,484 | 4.9% | 1,245 | 239 | 19.2 % |
| Environmental | 815 | 2.7% | 291 | 524 | 180.1 % |
| Other | 636 | 2.2% | 567 | 69 | 12.2 % |
| Subtotal | <u>\$ 30,031</u> | <u>100.0%</u> | <u>\$ 27,544</u> | <u>\$ 2,487</u> | <u>9.0 %</u> |
| GAAP Adjustment * | 198 | | 282 | (84) | |
| Revenue Reported | <u>\$ 30,229</u> | | <u>\$ 27,826</u> | <u>\$ 2,403</u> | <u>8.6 %</u> |

* Represents the net impact of the revenue recognition adjustments to arrive at reported GAAP revenue. Customer billings include all invoiced amounts for products shipped during the period reported. GAAP revenue includes customer billings as well as numerous adjustments necessary to reflect, (i) the deferral of a portion of current period sales and (ii) recognition of certain revenue associated with product returned for treatment and destruction. The difference between customer billings and GAAP revenue is reflected in the Company's balance sheet as deferred revenue.

Sharps Compliance Corp. and Subsidiaries
Supplemental Customer Billing by Solution Information
(in thousands)
(Unaudited)

Three-Months Ended March 31,

| | <u>2018</u> | <u>% Total</u> | <u>2017</u> | <u>\$ Change</u> | <u>%</u> |
|-------------------------------------|-----------------|----------------|--------------|------------------|--------------|
| <u>BILLINGS BY SOLUTION:</u> | | | | | |
| Mailbacks | \$ 4,291 | 47.1% | \$ 4,840 | \$ (549) | (11.3)% |
| Route-Based Pickup | 1,888 | 20.7% | 1,641 | 247 | 15.1 % |
| Unused Medications | 1,832 | 20.1% | 867 | 965 | 111.3 % |
| Third Party Treatment | 44 | 0.5% | 149 | (105) | (70.5)% |
| Other | 1,061 | 11.6% | 934 | 127 | 13.6 % |
| Total Billings By Solution | <u>\$ 9,116</u> | <u>100.0%</u> | <u>8,431</u> | <u>\$ 685</u> | <u>8.1 %</u> |

Nine-Months Ended March 31,

| | <u>2018</u> | <u>% Total</u> | <u>2017</u> | <u>\$ Change</u> | <u>%</u> |
|-------------------------------------|------------------|----------------|---------------|------------------|--------------|
| <u>BILLINGS BY SOLUTION:</u> | | | | | |
| Mailbacks | \$ 16,420 | 54.7% | \$ 17,379 | \$ (959) | (5.5)% |
| Route-Based Pickup | 5,479 | 18.2% | 4,686 | 793 | 16.9 % |
| Unused Medications | 4,321 | 14.4% | 2,400 | 1,921 | 80.0 % |
| Third Party Treatment | 815 | 2.7% | 291 | 524 | 180.1 % |
| Other | 2,996 | 10.0% | 2,788 | 208 | 7.5 % |
| Total Billings By Solution | <u>\$ 30,031</u> | <u>100.0%</u> | <u>27,544</u> | <u>\$ 2,487</u> | <u>9.0 %</u> |

Sharps Compliance Corp. and Subsidiaries
Supplemental Customer Billing by Channel Information
(in thousands)
(Unaudited)

Three-Months Ended March 31,

| | <u>2018</u> | <u>% Total</u> | <u>2017</u> | <u>\$ Change</u> | <u>% Change</u> |
|------------------------------------|-----------------|----------------|-----------------|------------------|-----------------|
| <u>BILLINGS BY CHANNEL:</u> | | | | | |
| Direct Sales | \$ 4,870 | 53.4% | \$ 4,475 | \$ 395 | 8.8 % |
| Distributors | 2,385 | 26.2% | 2,457 | (72) | (2.9)% |
| Inside and Online Sales | 1,861 | 20.4% | 1,499 | 362 | 24.1 % |
| Total Billings By Channel | <u>\$ 9,116</u> | <u>100.0%</u> | <u>\$ 8,431</u> | <u>\$ 685</u> | <u>8.1 %</u> |

Nine-Months Ended March 31,

| | <u>2018</u> | <u>% Total</u> | <u>2017*</u> | <u>\$ Change</u> | <u>% Change</u> |
|------------------------------------|------------------|----------------|------------------|------------------|-----------------|
| <u>BILLINGS BY CHANNEL:</u> | | | | | |
| Direct Sales | \$ 16,338 | 54.4% | \$ 15,142 | \$ 1,196 | 7.9 % |
| Distributors | 8,472 | 28.2% | 8,107 | 365 | 4.5 % |
| Inside and Online Sales | 5,221 | 17.4% | 4,295 | 926 | 21.6 % |
| Total Billings By Channel | <u>\$ 30,031</u> | <u>100.0%</u> | <u>\$ 27,544</u> | <u>\$ 2,487</u> | <u>9.0 %</u> |

*Certain prior year amounts have been reclassified to conform to current year presentation.

Sharps Compliance Corp. and Subsidiaries
Supplemental Table to Reconcile Net Loss to EBITDA*
(in thousands)
(Unaudited)

| | Three-Months Ended | | Nine-Months Ended | |
|-------------------------------|--------------------|-----------------|-------------------|-----------------|
| | March 31, | | March 31, | |
| | 2018 | 2017 | 2018 | 2017 |
| Net Loss | \$ (757) | \$ (668) | \$ (526) | \$ (1,862) |
| Income tax expense (benefit) | 32 | — | (28) | — |
| Interest expense, net | 18 | 30 | 55 | 80 |
| Depreciation and amortization | 390 | 392 | 1,174 | 1,100 |
| EBITDA | <u>\$ (317)</u> | <u>\$ (246)</u> | <u>\$ 675</u> | <u>\$ (682)</u> |

*The Company defines earnings before interest, taxes, depreciation and amortization ("EBITDA") as net income (loss), plus income tax expense (benefit), net interest expense, and depreciation and amortization. Other companies may define EBITDA differently. EBITDA is presented because it is a financial measure that is frequently requested by third parties. However, EBITDA is not considered under generally accepted accounting principles as a primary measure of an entity's financial results, and accordingly, EBITDA should not be considered an alternative to operating income, net income, or cash flows as determined under generally accepted accounting principles and as reported by the Company.

Sharps Compliance Corp. and Subsidiaries
Supplemental Reconciliation of GAAP to Non-GAAP Net Loss Per Share*
(in thousands, except per share data)
(Unaudited)

| | Three-Months Ended March 31, | | Nine-Months Ended March 31, | |
|--|---------------------------------|-----------------|--------------------------------|-------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net Loss | \$ (757) | \$ (668) | \$ (526) | \$ (1,862) |
| <i>Diluted net loss per share</i> | \$ (0.05) | \$ (0.04) | \$ (0.03) | \$ (0.12) |
| Adjustments: | | | | |
| Acquisition costs | — | — | — | 702 |
| Adjustments | — | — | — | 702 |
| Adjusted Net Loss | <u>\$ (757)</u> | <u>\$ (668)</u> | <u>\$ (526)</u> | <u>\$ (1,160)</u> |
| <i>Adjusted diluted net loss per share</i> | \$ (0.05) | \$ (0.04) | \$ (0.03) | \$ (0.07) |

*In accordance with U.S. generally accepted accounting principles (GAAP), the Company's net deferred tax assets have been fully reserved by a tax valuation allowance and any tax expense (benefit) has been offset by the utilization of net operating loss carryforwards or additional deferred tax valuation allowance. Therefore, the amounts shown in this schedule have not been adjusted to reflect any tax impact. The Company defines adjusted net income as net income plus or minus certain nonrecurring transactions such as acquisition costs, executive severance costs, significant legal settlements and other interested parties. Such information would not be considered as a substitute for any measure derived in accordance with GAAP, and may not be comparable to other similarly titled measures of other companies.