

Reconditioned Systems, Inc.
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News Release

Contact: Investor Relations

“RSI reports Third Quarter 2020 Results”

February 14, 2020

Dear Fellow Shareholders:

I regret to report that Reconditioned Systems, Inc. (“RSI”) had one of our worst quarters in recent history. Given the loss, it is unlikely that we can show a profit for the year. These results only confirm that we need to shift to EZCube to return to profitability. The margins are just too small in our remanufacturing lines.

For the three months ending December 31, 2019, RSI lost \$78.5 thousand pre-tax on sales of \$2.085 million. This compares to a profit of \$52.4 thousand on sales of \$2.87 million for the quarter ending December 31, 2018. Clearly the lower sales are also a major problem.

Existing business conditions, such as interest rates, inflation, energy costs and taxes remain favorable. Only labor costs remain a major problem for us. Hopefully, as we do more sales with EZCube, our overall margins will improve.

Even with our slow economic growth, the US economy continues to be better than those abroad. The Brexit problem may finally be resolved, but the effects of that are still unknown. China has also slowed significantly which is affecting the entire global economy; it remains to be seen what effect their Coronavirus outbreak will have on its economy and that of the world’s.

We have expanded our EZCube line with more options in an effort to be able to quote the line in more of our RFPs. The additional options will be available for quoting later this month and I am hopeful our analysis of past RFPs will prove correct and allow us to do more sales.

I expected that the transition to EZCube would be disruptive and that it would cause us operational problems, but I am disappointed with our results. Any time a business makes such a major change, it is difficult to maintain sales and profitability. However, I do believe that the worst is behind us, and I look forward to reporting better results to you. Even though this year is not a good one, we continue to pay down our building and with the new China product we have a line which should make us competitive going forward.

Given the loss, we will not resume our dividend payout this year, but I am optimistic about our future. We are working hard for you, our shareholders, and I am hopeful that next year will be a good one for us.

/S/ Scott W. Ryan

Scott W. Ryan
Chairman of the Board

Summary Statement of Operations				
	For The Three Months Ended		For the Nine Months Ended	
	December 31, 2019 (Unaudited)	December 31, 2018 (Unaudited)	December 31, 2019 (Unaudited)	December 31, 2018 (Unaudited)
Sales	\$2,085,442	\$2,869,259	\$6,848,060	\$8,149,089
Gross profit	\$230,433	\$468,527	\$873,300	\$1,591,392
Selling and administrative expenses	\$(294,265)	\$(386,128)	\$(981,122)	\$(1,122,100)
Income (loss) from operations	\$(63,832)	\$82,399	\$(107,822)	\$37,292
Other income (expenses)	\$(14,714)	\$(17,363)	\$(45,774)	\$(54,240)
Net income (loss) before provision for income taxes	\$(78,546)	\$65,036	\$(153,596)	\$(16,948)
Net income (loss)	\$(58,126)	\$52,357	\$(113,657)	\$(9,178)
Basic earnings (loss) per share	\$(0.06)	\$0.05	\$(0.12)	\$(0.01)
Basic weighted average number of common shares outstanding	954,878	957,878	954,968	958,058
Diluted earnings (loss) per common and equivalent share	\$(0.06)	\$0.05	\$(0.12)	\$(0.01)
Diluted weighted average number of common and equivalent shares outstanding	954,878	957,878	954,968	958,058

Summary Balance Sheet as of					
	December 31, 2019 (Unaudited)	December 31, 2018 (Unaudited)		December 31, 2019 (Unaudited)	December 31, 2018 (Unaudited)
Assets			Liabilities and Equity		
Cash & cash equivalents	\$575,069	\$273,096	Accounts payable & short term notes payable	\$477,244	\$636,299
Accounts receivable	576,710	964,533	Customer deposits	59,034	160,840
Inventory	2,551,908	2,393,508	Accrued compensation & benefits	134,041	177,372
Property & equipment	4,101,545	4,636,474	Short term notes payable	571,646	308,100
			Other liabilities *	1,134,257	1,472,462
Other assets	261,958	245,232	Stockholders' equity *	5,690,968	5,757,770
Total	\$8,067,190	\$8,512,843	Total	\$8,067,190	\$8,512,843

* 2020 Income taxes have been accrued at the maximum corporate rate of 26% of pretax income and may be revised upon completion of the company's tax returns. The net income could change materially as a result.

Note: The Company's quarterly press releases are available on our website rsisystemsurniture.com under About Us/ Investor Relations. Any shareholder who would like to sell shares back to the Company should contact the Investor Relations Department at 800-280-5000.