

INVO Bioscience Reports Second Quarter 2020 Financial Results

Company to Provide Investor Update During Virtual Investor Conference on August 19 at 2:00pm ET (Details Below); Management Available for Virtual 1×1 Meetings

SARASOTA, Fla., Aug. 13, 2020 — INVO Bioscience, Inc. (OTCQB: INVO), a medical device company focused on creating alternative treatments for patients diagnosed with infertility and developers of INVOcell®, the world's only in vivo Intravaginal Culture System, today announced financial results for the quarter ended June 30, 2020.



Recent Highlights

- Similar to the first quarter of 2020, revenues of \$246,072 in the second quarter of 2020 continued to be impacted by COVID-19. However, with many fertility clinics reopening along with the annual minimums required under the Company's U.S. commercialization agreement, the Company expects higher revenue in the second half of 2020.
- The Company finished the quarter ended June 30, 2020 with a cash position of approximately \$1.5 million. Subsequent to the quarter end, the Company completed its 3rd and final closing of its convertible note financing along with the receipt of its PPP loan, the combination of which added approximately \$557,000 in additional cash proceeds.
- Received registration approval for INVOcell in Turkey paving the way for commercialization efforts to begin in the country.

Management Discussion

"Despite the impact that COVID-19 has had in delaying fertility treatment for many around the world, we continue to make strong progress on our key goals to create commercialization agreements for our INVOcell solution" commented Steve Shum, Chief Executive Officer of INVO Bioscience. "As we have been advancing our commercialization efforts outside the United States, industry leaders, as well as our internal team, have begun to recognize the expanded opportunity that exists through the creation of these joint ventures for developing dedicated, INVO-only centers in the U.S. and select markets around the world. The INVO center model also allows INVO Bioscience to participate in a greater share of the economics. Over the past year, we have had a number of conversations that started as standard distribution agreements that have evolved into potential joint venture agreements. We believe such partnerships, such as the one signed in India, will ultimately be mutually

beneficial to achieving our goal to increase access to care and lower the cost of fertility treatment across the globe.”

“Similar to the first quarter of 2020, the second quarter 2020 results were impacted by the COVID-19 virus outbreak which resulted in reduced product sales to Ferring. A majority of clinics curtailed their fertility services in connection with the lockdowns that occurred. Many of the clinics have since resumed operations, albeit at a measured pace. As a result, and along with Ferring’s required annual minimums, we expect to experience stronger sales in the second half of 2020. We also believe that new guidelines that requiring limiting interactions and social distancing at most clinics could favor accelerated adoption of our technology, which allows for a more streamlined cycle approach with fewer patient visits and reduced lab requirements and resources,” Mr. Shum concluded.

International Market Update

- **Africa and Eurasia:** The Company previously executed distribution agreements in certain markets in Africa and Eurasia toward the end of 2019. Following execution of those agreements, the Company began the product registration and approval process in order to begin importing into those markets.
The Company recently received the first of the product registration approvals for Turkey in July 2020. The Company is now working with its distribution partner in Turkey to begin commercialization. Work is continuing with the remaining countries to complete registrations, and while the timelines have been impacted by COVID-19, the Company expects several will be completed near-term.
- **India:** INVO Biosciences’ JV partnership, signed in January 2020, remains focused on opening dedicated INVO-only clinic in the India marketplace. While those efforts were delayed due to the pandemic and the country-wide shutdown, the joint-venture is still targeting the first clinic opening before year end.
- **New Markets:** INVO Bioscience is targeting a number of additional markets outside the U.S (OUS). and has discussions underway in Mexico, Canada, Columbia, Spain, Macedonia, Indonesia, Russia, Malaysia, and China among others. The Company has set a goal of adding additional OUS markets (through distribution or partnership agreements) before year end.

Financial Results

Revenue for the three months ended June 30, 2020, was \$246,072 compared to \$658,638 for the same three-month period in 2019, a decrease of \$412,566 or 63%.

The gross margin reported for the second quarter ended June 30, 2020 was 91% or \$224,902 compared to 92% or \$603,356 for the three months ended June 30, 2019. The decrease in gross margin was related to slightly higher product costs. The cost of sales recognized during the second quarter of 2019 were attributed to product shipments to Ferring.

Selling, general and administrative expenses for the three months ended June 30, 2020 were \$1,252,939 as compared to \$669,152 for the three months ended June 30, 2019, an increase of \$583,787 or 87%. The increase in SG&A during the second quarter of 2020 compared to the second quarter of 2019 was primarily the result of an increase in wages, stock-based compensation and other corporate expenses.

The Company began to fund additional research and development (“R&D”) efforts in 2020 in preparation for its upcoming clinical trial, anticipated to occur in 2020, and additional patent filings. Excluding the investment in inventory in anticipation of clinical trials beginning in 2020 and patents, R&D expenses for 2020 were \$32,890. During 2019 the Company did not fund any R&D as a result of its limited resources at the time.

During the three-month period ended June 30, 2020 we incurred \$259,954 in interest expense, an increase of \$84,198 compared to \$175,756 in the three-month period ended June 30, 2019 or approximately 48%. The increase was primarily due to higher amortization of debt discount on the 2020 Convertible Notes Payable.

For the reasons stated above, the Company had a net loss of \$1,322,881 for the three months ended June 30, 2020, an increase of \$1,081,329 compared to a net loss of \$241,552 for the three months ended June 30, 2019, or approximately 448%. The increase in net loss is primarily attributable to the increase in operating expense, with \$511,798 related to non-cash expenses.

The Company finished the quarter ended June 30, 2020 with a cash position of approximately \$1.5 million. Subsequent to the quarter end, the Company completed its 3rd and final closing of its financing along with the receipt of its PPP loan, the combination of which added an approximately \$557,000 in additional cash proceeds.

Virtual Investor Conference Details

INVO Bioscience is scheduled to participate in a virtual presentation at the June 2020 Lytham Partners Virtual Investor Growth Conference on Wednesday, August 19, 2020 at 2:00pm ET (11:00am PT).

A webcast of the presentation will be posted under the investor relations section of INVO Bioscience’s website at www.invobioscience.com or can be accessed at <https://www.webcaster4.com/Webcast/Page/2162/36418>. A replay of the presentation will be available following the event.

Management will also be participating in virtual one-on-one meetings on August 19-21, 2020. To arrange a meeting, please contact Robert Blum of Lytham Partners at blum@lythampartners.com or visit www.lythampartners.com/virtual.

About INVO Bioscience

INVO Bioscience, Inc. (“INVO”) is an innovative medical device company developing solutions for the global infertility industry. INVO’s goal is to increase access to care and expand fertility treatment across the globe while seeking to lower the cost and increase the availability of care. INVO’s lead commercial product, the INVOcell, is a patented Assisted Reproductive Technology (ART) used in the treatment of infertility. The INVOcell device and procedure is unique as the first Intravaginal Culture (IVC) system in the world used for the natural in vivo incubation of eggs and sperm during fertilization and early embryo development. As an alternative to traditional in Vitro Fertilization (IVF), the revolutionary in vivo method of vaginal incubation offers patients a more natural and intimate experience. INVO Bioscience is headquartered in Sarasota, FL. For more information, please visit <http://invobioscience.com/>

Safe Harbor Statement

This release includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The Company invokes the protections of the Private Securities Litigation Reform Act of 1995. All statements regarding our expected future financial position, results of operations, cash flows, financing plans, business strategies, products and services, competitive positions, growth opportunities, plans and objectives of management for future operations, as well as statements that include words such as “anticipate,” “if,” “believe,” “plan,” “estimate,” “expect,” “intend,” “may,” “could,” “should,” “will,” and other similar expressions are forward-looking statements. All forward-looking statements involve risks, uncertainties and contingencies, many of which are beyond our control, which may cause actual results, performance, or achievements to differ materially from anticipated results, performance, or achievements. Factors that may cause actual results to differ materially from those in the forward-looking statements include those set forth in our filings at www.sec.gov. We are under no obligation to (and expressly disclaim any such obligation to) update or alter our forward-looking statements, whether as a result of new information, future events or otherwise.

INVO BIOSCIENCE, INC. CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2020	December 31, 2019
	(unaudited)	
ASSETS		
Current Assets		
Cash	\$ 1,503,951	\$ 1,238,585
Accounts receivable, net	71,199	7,558
Inventory, net	244,108	101,387
Prepaid expenses and other current assets	221,790	195,910
Total Current Assets	2,041,048	1,543,440
Property and equipment, net	108,528	93,055
Other Assets		
Capitalized patents, net	6,331	7,234
Leasehold right of use, net	90,785	101,883
Trademarks	59,069	49,867

Total other assets	156,185	158,984
Total assets	\$ 2,305,761	\$ 1,795,479
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current liabilities		
Accounts payable and accrued liabilities, including related parties	\$ 309,460	\$ 371,530
Accrued compensation	575,174	393,017
Deferred revenue	714,286	714,286
Current portion of leasehold liability	22,049	21,365
Income taxes payable	-	912
Total current liabilities	1,620,969	1,501,110
Commitments and contingencies (Note 12)	-	-
Leasehold liability	70,326	81,494
Deferred revenue	3,214,286	3,571,429
Convertible notes, net of discount	997,911	325,784
Convertible notes, net of discount - related party	-	28,824
Deferred tax liabilities	433	433
Total liabilities	5,903,925	5,509,074
Stockholders' Deficiency		
Preferred Stock, \$.0001 par value; 100,000,000 shares authorized; No shares issued and outstanding as of December 31, 2019 and 2018, respectively	-	-
Common Stock, \$.0001 par value; 200,000,000 shares authorized; 7,900,255 and 7,815,806 shares issued and outstanding as of June 30, 2020 and December 31, 2019, respectively	790	782
Additional paid-in capital	23,057,085	20,174,389
Accumulated deficit	(26,656,039)	(23,888,766)
Total stockholders' deficiency	(3,598,164)	(3,713,595)
Total liabilities and stockholders' deficiency	\$ 2,305,761	\$ 1,795,479

INVO BIOSCIENCE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Months Ended June 30, 2020	For the Three Months Ended June 30, 2019	For the Six Months Ended June 30, 2020	For the Six Months Ended June 30, 2019
Revenue:				
Product Revenue	\$ 67,500	\$ 480,067	\$ 147,500	\$ 490,927
License Revenue	178,572	178,571	357,143	357,143
Total Revenue	246,072	658,638	504,643	848,070
Cost of Goods Sold	21,170	55,282	51,164	66,260
Gross Profit	224,902	603,356	453,479	781,810
Research and development costs	34,890	-	64,940	-
Selling, general, and administrative expenses	1,252,939	669,152	2,847,985	1,196,717
Total operating expenses	1,287,829	669,152	2,912,925	1,196,717
Loss from operations	(1,062,927)	(65,796)	(2,459,446)	(414,907)
Other (income) expense:				
Interest (income) expense	259,954	175,756	307,827	285,215
Total other (income) expenses	259,954	175,756	307,827	285,215
Loss before income taxes	(1,322,881)	(241,552)	(2,767,273)	(700,122)
Provision for income taxes	-	-	-	-
Net Loss	\$ (1,322,881)	\$ (241,552)	\$ (2,767,273)	\$ (700,122)
Basic net loss per weighted average shares of common stock	\$ (0.17)	\$ (0.03)	\$ (0.35)	\$ (0.09)
Diluted net loss per weighted average shares of common stock	\$ (0.17)	\$ (0.03)	\$ (0.35)	\$ (0.09)
Basic weighted average number of shares of common stock	7,892,707	7,763,048	7,880,751	7,743,685
Diluted weighted average number of shares of common stock	7,892,707	7,763,048	7,880,751	7,743,685

INVO BIOSCIENCE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Six Months Ended June 30, 2020	For the Six Months Ended June 30, 2019
Cash flows from operating activities:		
Net Loss	\$ (2,767,273)	\$ (700,122)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Non-cash stock compensation issued for services	60,800	26,600
Non-cash stock compensation issued to employees	345,972	-
Fair value of stock options issued to employees	596,390	-
Amortization of discount on notes payable	208,071	256,703
Amortization of discount on notes payable options	15,555	-
Amortization of discount on notes payable warrants	18,742	-
Amortization of discount on notes payable issuance costs	20,577	-

Amortization of leasehold right of use asset	11,098	3,614
Depreciation and amortization	5,958	3,465
Changes in assets and liabilities:		
Accounts receivable	(63,641)	(14,315)
Inventories	(142,721)	(32,962)
Prepaid expenses and other current assets	(25,880)	53,974
Accounts payable and accrued expenses	(62,070)	1,280
Leasehold liability	(10,484)	(3,370)
Deferred revenue	(357,143)	4,636,937
Accrued interest	(49,610)	24,458
Accrued compensation	182,157	(1,546,030)
Income taxes payable	(912)	-
Net cash provided by (used in) operating activities	(2,014,414)	2,710,232
Cash from investing activities:		
Payments to acquire property, plant, and equipment	(20,528)	(64,839)
Payments to acquire trademarks	(9,202)	-
Net cash used in investing activities	(29,730)	(64,839)
Cash from financing activities:		
Proceeds from sale of notes payable, net of issuance costs	2,644,510	-
Principal payment on notes payable	(295,000)	(131,722)
Principal payment on notes payable - related parties	(40,000)	(62,743)
Net cash provided by (used in) financing activities	2,309,510	(194,465)
Increase in cash and cash equivalents	265,366	2,450,928
Cash and cash equivalents at beginning of period	1,238,585	212,243
Cash and cash equivalents at end of period	\$ 1,503,951	\$ 2,663,171
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	\$ 78,456	\$ 9,823
Taxes	\$ 1,062	\$ -
Leasehold right of use asset and leasehold liability upon adoption of ASU 2016-02, lease (Topic 842)	\$ -	\$ 116,441
Common stock issued upon note payable and accrued interest conversion	\$ -	\$ 238,723
Common stock issued for prepaid services	\$ -	\$ -
Common stock issued for accrued compensation	\$ -	\$ -
Beneficial conversion feature on convertible notes	\$ 182,460	\$ -
Fair value of options issued with debt	\$ 767,160	\$ -
Fair value of warrants issued with debt	\$ 929,922	\$ -

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