

Reconditioned Systems, Inc.
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News Release

Contact: Investor Relations

“RSI reports First Quarter 2020 results”

August 30, 2019

Dear Fellow Shareholders:

I regret to report that Reconditioned Systems, Inc. (“RSI”) lost money this quarter. Several factors contributed to this loss, but primarily it was lower margins. Labor costs continue to be the biggest problem, which is why we have developed a new line of product manufactured in China by Xinda Clover. We have named the new line EZcube, because of the ease of installation. Of course the tariffs on Chinese goods have impacted us, but we remain hopeful that the new line will be successful. I am hopeful that EZcube will be the future of our company and I look forward to reporting our progress to you. Meanwhile we continue with our remanufactured products.

For the three months ending June 30, 2019, RSI had a loss of \$59.6 thousand on sales of \$2.4 million. This compares to a loss of \$54.3 thousand on sales of \$2.5 million for the quarter ending June 30, 2018. As you know, we were able to be profitable for the entire year last year, and I am hopeful that will also be the case for fiscal 2020.

Overall business conditions remain favorable with interest rates, inflation, energy costs and taxes all near their lows. Only labor costs remain an issue for manufacturing. Starting a new line of furniture is always difficult with problems to be solved, but I believe we are on the right track and we will be expanding the line as we gain experience with it. It has and will take more capital investment, which is why the Board voted not to pay a dividend again this year. I know our shareholders are disappointed by this decision; as RSI’s largest shareholder, I share your disappointment. Hopefully, if EZCube is successful, we will be in a better position this time next year. As in the past, any future dividends will depend on our performance and financial position.

The next few months will be critical for your company. We are working very hard to make our new line a success. Hopefully our business reputation will help the new line gain acceptance. Meanwhile we continue to try to control our costs to maintain our margins.

/S/ Scott W. Ryan
Scott W. Ryan
Chairman of the Board

	For The Three Months Ended	
	June 30, 2019 (Unaudited)	June 30, 2018 (Unaudited)
Sales	\$2,369,866	\$2,520,246
Gross profit	\$280,023	\$297,090
Selling and administrative expenses	\$(343,638)	\$(350,518)
Other	\$(16,077)	\$(18,986)
Net income (loss) before provision for income taxes	\$(79,692)	\$(72,414)
Net income (loss)	\$(59,577)	\$(54,346)
Basic earnings (loss) per share	\$(.06)	\$(.06)
Basic weighted average number of common shares outstanding	955,148	958,418
Diluted earnings (loss) per common and equivalent share	\$(.06)	\$(.06)
Diluted weighted average number of common and equivalent shares outstanding	955,148	958,418

Summary Balance Sheet as of					
	June 30, 2019 (Unaudited)	June 30, 2018 (Unaudited)		June 30, 2019 (Unaudited)	June 30, 2018 (Unaudited)
Assets			Liabilities and Equity		
Cash & cash equivalents	\$471,410	\$532,611	Accounts payable	\$410,138	\$662,984
Accounts receivable	756,229	732,612	Customer deposits	150,370	34,671
Inventory	2,463,970	2,394,050	Accrued compensation & benefits	173,251	188,361
Property & equipment	4,145,991	4,649,411	Current note payable and other current liabilities	314,805	301,531
Other assets	263,194	230,014	Other liabilities	1,307,187	1,638,551
			Stockholders' equity	5,745,043	5,712,600
Total	\$8,100,794	\$8,538,698	Total	8,100,794	\$8,538,698

* 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.