



NASDAQ: HBIO  
Q3'20 Earnings Presentation

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# Forward-Looking Statements and Non-GAAP Financial Information



## Forward-Looking Statements

Information in this presentation or in oral statements of the management of the Company may include forward-looking statements within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995. You can identify these statements by our use of such words as "will," "guidance," "objectives," "optimistic," "potential," "future," "expects," "plans," "estimates," "continue," "drive," "strategy," "potential," "potentially," "growth," "long-term," "projects," "projected," "intends," "believes," "goals," "sees," "seek," "develop" "possible" "new," "emerging," "opportunity," "pursue" and similar expressions that do not relate to historical matters. Forward-looking statements in this presentation or that may be made during our presentation may include, but are not limited to, statements or inferences about the Company's or management's beliefs or expectations, anticipated future revenues and earnings, the strength of the our market position and business model, industry outlook; our business strategy, the positioning of the Company for growth, the market demand and opportunity for our current products, or products we are developing or intend to develop, and our plans, objectives and intentions that are not historical facts. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Investors should note that many factors, as more fully described under the caption "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2019, and our Quarterly Reports on Form 10-Q issued in 2020 or described in our other public filings and as otherwise enumerated herein or therein may cause our actual results to differ materially from those in the forward-looking statements. The forward-looking statements in this presentation are qualified by these risk factors. Our results may also be affected by factors of which we are not currently aware. We may not update these forward-looking statements, even though our situation may change in the future, unless we have obligations under the federal securities laws to update and disclose material developments related to previously disclosed information.

## Management's Use of Non-GAAP Financial Information

In this presentation, we have included non-GAAP financial information including adjusted gross profit, adjusted operating income, adjusted net income, and adjusted earnings per diluted share. We believe that this non-GAAP financial information provides investors with an enhanced understanding of the underlying operations of the business. For the periods presented, these non-GAAP financial measures of revenue and income have excluded certain expenses and income primarily resulting from purchase accounting or events that we do not believe are related to the underlying operations of the business such as amortization of intangibles related to acquisitions, costs related to acquisition, disposition and integration initiatives, impairment charges, severance and restructuring and other business transformation expenses, and stock-based compensation expense. They also exclude the tax impact of the reconciling items. This non-GAAP financial information approximates information used by our management to internally evaluate the operating results of the Company. Any non-GAAP measures included herein are accompanied by a reconciliation to the nearest corresponding GAAP measure within this presentation.

The non-GAAP financial information provided in this presentation should be considered in addition to, not as a substitute for, the financial information provided and presented in accordance with GAAP and may be different than other companies' non-GAAP financial information.

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# Summary

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## Q3'20 Highlights

- Despite Q3 revenue down 12%, Adj. GM up 80 bps and Adj. OM up 270 bps
- Academic lab sales see continuing recovery as labs continue to reopen
- Solid CRO/Pharma revenue, expanded demand for new inhalation product

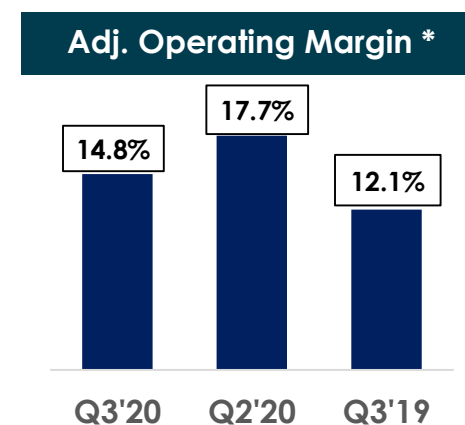
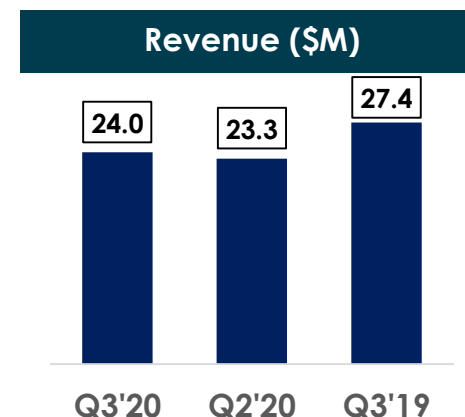
## 2020 Outlook

- Revenue growth will support adding back cost as our employees return to full time
- Disciplined cash management continues, leverage to approx. 3x
- Expect 2<sup>nd</sup> half adjusted operating margin in mid to upper teens, beating prior year

# Q3 2020 Performance versus Q3 2019



- Revenue \$24.0M, down \$3.4M (-12.3%)
- Gross Margin (GAAP) 56.1%, up 150 bps
- Adjusted Gross Margin\* 56.4%, up 80 bps
- Operating Income / Margin (GAAP) \$0.2M / 0.8%
- Adj. Operating Income / Margin\* \$3.6M / 14.8%
- Loss Per Diluted Share (GAAP) (\$0.03)
- Adjusted Diluted EPS \* \$0.04, Flat
- Cash Flow from Operations \$1.6M
- Net Debt Reduction \$0.5M in Q3'20



\* Non-GAAP measure, reconciliations to GAAP financial measures are available in the appendix

# Q3'20 Revenue By Customer/Product Family

Note: Q3 is typically a seasonally weaker quarter



(in \$M)	Q3 2020	Q2 2020	Q3 2019	△ vs. Q3'19	
Cellular & Molecular Product Lines	13.4	12.8	17.0	-21.2%	<u>CMT Products</u> : Academic sales continued to improve as labs slowly returned to restart research and development of next generation therapies and vaccines. Q3 improved to -21% from -33% in Q2.
Pre-Clinical Product Lines	10.3	10.7	10.4	-1.0%	<u>Combination of Pharma and Contract Research Organizations (CROs)</u> : Maintaining recovery at pre-Covid-19 (2019 levels).  <u>Academics</u> : Still impacted by Covid-19, though seeing some improvement as labs are slowly reopening.
Currency	0.3	(0.2)	-	-	
Revenue	24.0	23.3	27.4	-12.3%	

# Restructuring and Q3 Actions Update

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- Connecticut manufacturing consolidation complete and operational
- UK downsizing and transition to optimized facility complete and operational
- Covid-19 related actions in Q2/Q3 supported getting to sustainable lower cost of organization
- New inhalation product seeing expanding demand

## Financial Section





# 2020 Q3 Non-GAAP Results Sequential & Year-over-Year



(in \$ M)	Q3'20	Q2'20	Q3'19
Revenue	24.0	23.3	27.4
Adj. Gross Profit Adj. Gross Margin %	13.6 56.4%	13.9 59.8%	15.2 55.6%
Adj. Operating Expenses Adj. % of revenue	10.0 41.5%	9.8 42.1%	11.9 43.5%
Adj. Operating Income Adj. Operating Margin %	3.6 14.8%	4.1 17.7%	3.3 12.1%
Tax Rate	25.7%	22.7%	14.3%
Adj. Net Income	1.5	2.1	1.7
Diluted Shares Outstanding	40.3	39.6	38.6
Adj. Diluted EPS	0.04	0.05	0.04

(in \$ M)	Q3'20	Q2'20	Q3'19
Net Debt **	41.6	42.1	48.8
Cash Flow From Operations	1.6	2.4	3.2

- Adj. Gross Margin: YoY improvement as product mix, cost reductions offset lower volume. Lower sequentially on seasonality, mix.
- Adj. Operating Expense: Controls remain tight with sequential increase with U.S. back to work
- Adj. Operating Margin: Year-over-year growth on cost actions, product mix
- Net Debt: managing liquidity effectively through restructuring and Covid-19. Down \$5.1M in 2020.
  - Improved working capital performance

\* Note: income statement items above other than revenue are non-GAAP measure, reconciliations to GAAP financial measures are available in the appendix.

\*\* Net debt = debt outstanding less cash and cash equivalents

## 2020 Outlook



# 2020 Looking Forward

***Covid-19 Pandemic Actions and Improved Business Structure put us back on Target***

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- Expect combined CROs and Pharma revenues to continue to grow
- Expect sequential growth as academics labs reopen over the coming few quarters
- Maintaining leaner organization with targeted product investments
- Maintain cash flows, meet debt obligations and working to refinance debt

***Outlook: We expect continued sequential quarterly revenue recovery and to deliver second half operating margins at mid to upper teens***

Thank You

# GAAP to Non-GAAP Reconciliations

# GAAP Income Statements



(in \$ M)	Quarterly			Year-to-Date	
	Q3'20	Q2'20	Q3'19	Q3'20	Q3'19
Revenue	24.0	23.3	27.4	71.1	85.2
Gross Profit <i>Gross Margin %</i>	13.5 56.1%	13.9 59.4%	15.0 54.6%	40.3 56.7%	47.1 55.3%
Operating Expenses <i>% of revenue</i>	13.3 55.4%	13.3 57.1%	16.3 59.6%	42.9 60.3%	48.4 56.7%
Operating Income (Loss) <i>Operating Margin %</i>	0.2 0.8%	0.6 2.4%	(1.4) -5.0%	(2.5) -3.6%	(1.3) -1.5%
Net Loss	(1.1)	(1.6)	(2.6)	(7.2)	(5.2)
Loss Per Diluted Share	(0.03)	(0.04)	(0.07)	(0.19)	(0.14)

# Balance Sheets



(in \$ M)	Q3'20	Q4'19
<b><u>Assets</u></b>		
Cash & Cash Equivalents	2.8	8.3
Accounts Receivable	13.9	20.7
Inventories	22.7	22.1
Other Current Assets	4.1	2.5
<b>Total Current Assets</b>	<b>43.5</b>	<b>53.6</b>
Property, Plant, Equipment	4.3	4.8
Goodwill & Other Intangibles	92.0	95.8
Other Assets	9.8	10.7
<b>Total Assets</b>	<b>149.6</b>	<b>164.9</b>
<b><u>Liabilities &amp; Stockholders' Equity</u></b>		
Current Portion, Lt Debt	2.8	6.9
Other Current Liabilities	18.4	18.4
<b>Total Current Liabilities</b>	<b>21.2</b>	<b>25.3</b>
Long-Term Debt	40.7	46.9
Other Long-Term Liabilities	10.5	11.0
Stockholders' Equity	77.2	81.7
<b>Total Liabilities &amp; Stockholders' Equity</b>	<b>149.6</b>	<b>164.9</b>

# Cash Flow Statements: Year-to-Date



(in \$ M)	Q3'20	Q3'19
<b>Net Cash Provided by Operating Activities</b>	<b>6.8</b>	<b>5.8</b>
Additions to PP&E	(1.1)	(0.8)
Disposition of Business	-	1.0
<b>Net Cash (Used in) Provided by Investing Activities</b>	<b>(1.1)</b>	<b>0.2</b>
Repayments of Debt, Net	(10.6)	(6.8)
Other Financing Activities	(0.7)	(0.4)
<b>Net Cash Used in Financing Activities</b>	<b>(11.3)</b>	<b>(7.2)</b>
Effects of Exchange Rate Changes on Cash	-	(0.2)
Cash at Beginning of Period	8.3	8.2
Cash at End of Period	2.8	6.8
<b>Decrease in Cash</b>	<b>(5.5)</b>	<b>(1.4)</b>

# GAAP to Non-GAAP Reconciliation



(in thousands)

	<u>Three Months Ended</u>			<u>Nine Months Ended</u>	
	<u>September 30,</u> <u>2020</u>	<u>June 30,</u> <u>2020</u>	<u>September 30,</u> <u>2019</u>	<u>September 30,</u> <u>2020</u>	<u>September 30,</u> <u>2019</u>
<b>GAAP gross profit</b>	\$ 13,495	\$ 13,856	\$ 14,979	\$ 40,333	\$ 47,088
Stock-based compensation expense	19	15	13	44	34
Severance, restructuring and transformation costs	19	43	237	21	321
Non-cash expense - acquisition accounting	19	20	20	59	98
<b>Adjusted gross profit</b>	<b>\$ 13,552</b>	<b>\$ 13,934</b>	<b>\$ 15,249</b>	<b>\$ 40,457</b>	<b>\$ 47,541</b>
<b>GAAP gross profit % of revenue</b>	<b>56.1%</b>	<b>59.4%</b>	<b>54.6%</b>	<b>56.7%</b>	<b>55.3%</b>
<b>Adjusted gross profit % of revenue</b>	<b>56.4%</b>	<b>59.8%</b>	<b>55.6%</b>	<b>56.9%</b>	<b>55.8%</b>
<b>GAAP operating expenses</b>	\$ 13,313	\$ 13,300	\$ 16,344	\$ 42,868	\$ 48,345
Stock-based compensation expense	(1,060)	(754)	(974)	(2,597)	(2,159)
Severance, restructuring and transformation costs	(858)	(1,244)	(1,522)	(3,614)	(2,070)
Intangible assets amortization and impairments	(1,377)	(1,455)	(1,882)	(4,259)	(5,690)
Non-cash expense - acquisition accounting	(32)	(33)	(39)	(101)	(141)
<b>Adjusted operating expenses</b>	<b>\$ 9,986</b>	<b>\$ 9,814</b>	<b>\$ 11,927</b>	<b>\$ 32,297</b>	<b>\$ 38,285</b>
<b>GAAP operating expenses % of revenue</b>	<b>55.4%</b>	<b>57.1%</b>	<b>59.6%</b>	<b>60.3%</b>	<b>56.7%</b>
<b>Adjusted operating expenses % of revenue</b>	<b>41.5%</b>	<b>42.1%</b>	<b>43.5%</b>	<b>45.4%</b>	<b>44.9%</b>



# GAAP to Non-GAAP Reconciliation



(in thousands, except per share data)

	<u>Three Months Ended</u>			<u>Nine Months Ended</u>	
	<u>September 30, 2020</u>	<u>June 30, 2020</u>	<u>September 30, 2019</u>	<u>September 30, 2020</u>	<u>September 30, 2019</u>
<b>GAAP operating income (loss)</b>	\$ 182	\$ 556	\$ (1,365)	\$ (2,535)	\$ (1,257)
Stock-based compensation expense	1,079	769	987	2,641	2,193
Severance, restructuring and transformation costs	876	1,287	1,759	3,635	2,391
Acquired intangible assets amortization and impairments	1,377	1,455	1,882	4,258	5,690
Non-cash expense - acquisition accounting	51	53	59	159	239
<b>Adjusted operating income</b>	<b>\$ 3,565</b>	<b>\$ 4,120</b>	<b>\$ 3,322</b>	<b>\$ 8,158</b>	<b>\$ 9,256</b>
<b>GAAP operating margin</b>	<b>0.8%</b>	<b>2.4%</b>	<b>-5.0%</b>	<b>-3.6%</b>	<b>-1.5%</b>
<b>Adjusted operating margin</b>	<b>14.8%</b>	<b>17.7%</b>	<b>12.1%</b>	<b>11.5%</b>	<b>10.9%</b>
<b>GAAP net loss</b>	\$ (1,098)	\$ (1,581)	\$ (2,620)	\$ (7,195)	\$ (5,237)
Stock-based compensation expense	1,079	769	987	2,641	2,193
Severance, restructuring and transformation costs	876	1,287	1,759	3,635	2,391
Acquired intangible assets amortization and impairments	1,377	1,455	1,882	4,258	5,690
Non-cash expense - acquisition accounting	51	53	59	159	239
Income taxes (A)	(823)	103	(341)	(435)	(1,294)
<b>Adjusted net income</b>	<b>\$ 1,462</b>	<b>\$ 2,086</b>	<b>\$ 1,726</b>	<b>\$ 3,063</b>	<b>\$ 3,982</b>
<b>GAAP - loss per diluted share</b>	\$ (0.03)	\$ (0.04)	\$ (0.07)	\$ (0.19)	\$ (0.14)
Adjusted items after tax per share assuming dilution	0.07	0.09	0.11	0.27	0.24
<b>Adjusted earnings per diluted share</b>	<b>\$ 0.04</b>	<b>\$ 0.05</b>	<b>\$ 0.04</b>	<b>\$ 0.08</b>	<b>\$ 0.10</b>
<b>Weighted average diluted common shares:</b>					
GAAP	38,920	38,468	38,036	38,540	37,764
Adjusted	40,307	39,593	38,603	39,824	38,251

(A) Income taxes includes the tax effect of the adjustments to GAAP results.