



NASDAQ: HBIO
Q2'22 Earnings Presentation

Jim Green, Chairman, President & CEO

Mike Rossi, CFO

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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, our anticipated future revenues and earnings, the strength of our market position and business model, industry outlook, the impact of the COVID-10 pandemic and related supply chain disruptions on our business, our business strategy, the positioning of our 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, 2021, 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, adjusted earnings per diluted share and adjusted EBITDA. 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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Q2'22 Summary

- Revenue flat @ \$29M with Cellular & Molecular (CMT) up 17%, Pre-Clinical down 9%
 - CMT transition to higher margin direct sales is driving growth, with a continued rotation out of low margin products sold mostly through distributors
 - Pre-Clinical revenue had a tough comparable to a very strong Q2 last year
 - Revenue includes currency impact (-\$0.9M), China shipment delays due to Covid related shutdowns
- Adj. Operating Margin*: 11% vs 15% PY due to revenue & order delays, inflation & S&M/R&D investments
 - Gross margin: 58% in Q2, up 100 bps vs. last year, though inflation and freight costs remain
 - Opex up on R&D investments for new products and Marketing activities versus low (Covid) prior year
- Initiated actions in July to obsolete non-strategic product lines and reduce overall operating costs
 - Actions underpin gross margin, operating margin expansion for 2023
 - ~5% Global workforce reduction

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

Q2'22 Performance versus Q2'21



- Revenue \$29.2M, Flat
- Gross Margin (GAAP) 57.0%, up 100 bps
- Operating Income / Margin (GAAP) 4.0 / 13.7%
- Adj. Operating Income / Margin* \$3.1M / 10.5%
- Income/(Loss) Per Diluted Share (GAAP) \$0.06 up from (\$0.01)
- Adjusted Diluted EPS* \$0.05, down from \$0.06
- Cash Flow Used in Operations (\$0.2M) in Q2'22
- Net Debt Increase \$0.6M in Q2'22
- Leverage Ratio (Debt to Adj. EBITDA) 3.1x

Revenue (\$M)



Adj. Operating Margin *



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

2022 Q2 Revenue by Product Family

Highly Confidential



(in \$M)	Q2 2022	Q2 2021	△ Vs. Q2'21	Comments
Cellular & Molecular	16.0	13.6	17%	<p>Revenue up on 17% on increasing direct sales performance</p> <ul style="list-style-type: none"> ○ Cellular & Molecular direct sales continue to improve in US and EMEA ○ As expected, we continue to reduce low margin distributor products ○ UK research funding still impacted by Brexit/slow government budgeting
Pre-Clinical	14.1	15.6	-9%	<p>Revenue down on lower demand from EMEA, shipment delays to China</p> <ul style="list-style-type: none"> ○ Europe CRO/pharma was slower than usual and compared to a very strong prior year ○ China is flat to prior year ○ US down modestly, however we see a very strong pipeline
Currency	(0.9)			Significant currency impact on strong dollar and weakening Euro and GBP
Revenue	29.2	29.2	Flat	

Financial Section

2022 Q2 Non-GAAP Results Year-over-Year



(in M, except EPS)	Q2'22	Q2'21
Revenue	29.2	29.2
Adj. Gross Profit <i>Adj. Gross Margin %</i>	16.8 57.5%	16.5 56.5%
Adj. Operating Expenses <i>Adj. % of revenue</i>	13.7 47.0%	12.2 41.9%
Adj. Operating Income <i>Adj. Operating Margin %</i>	3.1 10.5%	4.3 14.6%
Adj. Tax Rate	19%	23%
Adj. Net Income	2.0	2.8
Diluted Shares Outstanding	42.6	43.4
Adj. Diluted EPS	0.05	0.06

(in \$ M)	Q2'22	Q2'21
Net Debt **	45.2	38.2
Cash Flow From Operations	(0.2)	0.8

- **Adj. Gross Margin:** pricing drives 100 bps improvement. COGS: flat to PY, cost increases started in April 2021.
- **Adj. Operating Expense:** increased R&D expenses for next gen telemetry product. S&M T&E/tradeshows ramping up vs low prior year (Covid impact in '21)
- **Adj. Operating Income:** down vs. PY due to operating expense factors noted, plus inflation, currency
- **Net Debt:** up vs prior year due to Legal Settlement, inventory growth to manage supply chain volatility
 - Leverage (debt-to-Adj. EBITDA): 3.1x at Q2'22
 - DSO improvement in Q2'22

* 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
Amounts subject to rounding

2022 Outlook

2022 Outlook: Q2 Earnings Call

A more conservative view due to heavy currency headwinds and continued volatility

- Reported Revenue: expect 1% to 5% growth for the year with volatility in Q3
 - Strength in North America, EMEA is slow, periodic impacts of China (Covid related) shutdowns
- Adjusted operating margins: expect approx. 13% to 14%
 - Gross margins improve to approx. 58%
 - Continued China shipment delays and cost of goods remains high on inflation and shipping
 - Operating margin includes higher investments in growth-oriented new product development
- Positive free cash flow and net debt reductions in second half

Portfolio pruning and operating cost reductions underpin 2023 and the transition to a long-term profitable growth platform

Appendix:

- **Revenue by Product Family**
- **GAAP Financials**
- **GAAP to Non-GAAP Reconciliations**

Revenue By Product Family: As Reported

(in \$M)	Q1 20	Q2 20	Q3 20	Q4 20	FY 20	Q1 21	Q2 21	Q3 21	Q4 21	FY 21	Q1 22	Q2 22
Cellular & Molecular Product Lines	12.4	10.9	11.6	13.9	48.7	13.6	13.5	13.7	14.6	55.5	14.2	15.3
Pre-Clinical Product Lines	11.4	12.4	12.4	17.1	53.4	13.3	15.7	15.9	18.4	63.4	14.6	13.9
Revenue	23.8	23.3	24.0	31.0	102.1	27.0	29.2	29.7	33.1	118.9	28.8	29.2

Note: Pre-Clinical revenue now includes Behavior, Isolated Organ and Surgical products formerly classified in CMT in addition to legacy DSI products. Aligns with strategic direction and go-to-market / product line management.

Amounts subject to rounding

Revenue By Product Family: Constant Currency

(in \$M)	Q1 20	Q2 20	Q3 20	Q4 20	FY 20	Q1 21	Q2 21	Q3 21	Q4 21	FY 21	Q1 22 *	Q2 22 *
Cellular & Molecular Product Lines	12.4	10.9	11.6	13.9	48.7	13.6	13.5	13.7	14.6	55.5	14.5	16.0
Pre-Clinical Product Lines	11.4	12.4	12.4	17.1	53.4	13.3	15.7	15.9	18.4	63.4	14.7	14.1
Currency	-	-	-	-	-	-	-	-	-	-	(0.5)	(0.9)
Revenue	23.8	23.3	24.0	31.0	102.1	27.0	29.2	29.7	33.1	118.9	28.8	29.2

Note: Pre-Clinical revenue now includes Behavior, Isolated Organ and Surgical products formerly classified in CMT in addition to legacy DSI products. Aligns with strategic direction and go-to-market / product line management.

*CMT, Pre-Clinical amounts at 2021 FX rates

Amounts subject to rounding

GAAP Income Statements

(in \$ M, except EPS)	Q2'22 QTD	Q2'21 QTD	Q2'22 YTD	Q2'21 YTD
Revenue	29.2	29.2	58.0	56.2
Gross Profit <i>Gross Margin %</i>	16.6 57.0%	16.4 56.0%	32.8 56.6%	31.8 56.6%
Operating Expenses <i>% of revenue</i>	12.6 43.3%	16.3 55.8%	35.5 61.3%	32.0 56.9%
Operating Income / (Loss) <i>Operating Margin %</i>	4.0 13.7%	0.1 0.2%	(2.7) -4.7%	(0.2) -0.3%
Net Income / (Loss)	2.4	(0.4)	(4.4)	(1.1)
Income / (Loss) Per Diluted Share	0.06	(0.01)	(0.11)	(0.03)

Amounts subject to rounding

Balance Sheets



(in \$ M)	Q2'22	Q4'21
<u>Assets</u>		
Cash & Cash Equivalents	4.3	7.8
Accounts Receivable	17.8	21.8
Inventories	29.3	27.6
Other Current Assets	5.1	4.3
Total Current Assets	56.5	61.6
Property, Plant, Equipment	3.4	3.4
Goodwill & Other Intangibles	80.5	85.1
Other Assets	14.9	12.3
Total Assets	155.3	162.3
<u>Liabilities & Stockholders' Equity</u>		
Current Portion, Lt Debt	2.7	3.2
Other Current Liabilities	20.6	22.1
Total Current Liabilities	23.3	25.3
Long-Term Debt	45.8	45.1
Other Long-Term Liabilities	8.7	8.5
Stockholders' Equity	77.5	83.4
Total Liabilities & Stockholders' Equity	155.3	162.3

Amounts subject to rounding

Cash Flow Statements: Six Months Ended

(in \$ M)	2022	2021
Net Cash (Used in) Provided by Operating Activities	(2.2)	1.8
Additions to PP&E	(0.9)	(0.4)
Other Investing Activities	-	(0.2)
Net Cash Used in Investing Activities	(0.9)	(0.5)
Net Debt Activity	-	(5.0)
Other Financing Activities	(0.5)	1.7
Net Cash Used in Financing Activities	(0.5)	(3.3)
Effects of Exchange Rate Changes on Cash	-	-
Cash at Beginning of Period	7.8	8.3
Cash at End of Period	4.3	6.2
Decrease in Cash	(3.6)	(2.1)

Amounts subject to rounding

GAAP to Non-GAAP Reconciliation: Three Months Ended June 30, 2022



HARVARD BIOSCIENCE, INC.						
Reconciliation of GAAP to Non-GAAP Financial Measures (unaudited)						
Three Months Ended June 30, 2022						
(in thousands, except per share data)						
Statement of Operations	GAAP	Stock-Based Compensation	Acquired Assets Amortization	Settlement, Restructuring, Transformation	Income Taxes	ADJUSTED
Revenues	\$ 29,208	-	-	-	-	\$ 29,208
Cost of revenues	12,571	(52)	(9)	(82)	-	12,428
Gross profit	16,637	52	9	82	-	16,780
Gross Margin	57.0%					57.5%
Operating expenses:						
Sales and marketing expenses	6,587	(192)	(1)	(255)	-	6,139
General and administrative expenses	5,981	(923)	(15)	(825)	-	4,218
Research and development expenses	3,497	(72)	(9)	(50)	-	3,366
Amortization of intangible assets	1,454	-	(1,454)	-	-	-
Settlement of litigation, net	(4,880)	-	-	4,880	-	-
Total operating expenses	12,639	(1,187)	(1,479)	3,750	-	13,723
Operating Expenses - % of Revenues	43.3%					47.0%
Operating income (loss)	3,998	1,239	1,488	(3,668)	-	3,057
Operating Margin	13.7%					10.5%
Other expense:						
Interest expense	(515)	-	-	-	-	(515)
Other expense, net	(62)	-	-	-	-	(62)
Total other expense	(577)	-	-	-	-	(577)
Income before income taxes	3,421	1,239	1,488	(3,668)	-	2,480
Income tax expense (benefit)	986	-	-	-	(517)	469
Net income (loss)	\$ 2,435	\$ 1,239	\$ 1,488	\$ (3,668)	\$ 517	\$ 2,011
Income per share	\$ 0.06					\$ 0.05
Diluted weighted average common shares	41,304					42,561

GAAP to Non-GAAP Reconciliation: Three Months Ended June 30, 2021



HARVARD BIOSCIENCE, INC.
Reconciliation of GAAP to Non-GAAP Financial Measures (unaudited)
Three Months Ended June 30, 2021
(in thousands, except per share data)

Statement of Operations	GAAP	Stock-Based Compensation	Acquired Assets Amortization	Restructuring, Transformation	Income Taxes	ADJUSTED
Revenues	\$ 29,197	-	-	-	-	\$ 29,197
Cost of revenues	12,844	(31)	(17)	(100)	-	12,696
Gross profit	16,353	31	17	100	-	16,501
Gross Margin	56.0%					56.5%
Operating expenses:						
Sales and marketing expenses	5,730	(131)	(2)	(73)	-	5,524
General and administrative expenses	6,399	(969)	(16)	(1,108)	-	4,306
Research and development expenses	2,701	(33)	(11)	(249)	-	2,408
Amortization of intangible assets	1,465	-	(1,465)	-	-	-
Total operating expenses	16,295	(1,133)	(1,494)	(1,430)	-	12,238
Operating Expenses - % of Revenues	55.8%					41.9%
Operating income	58	1,164	1,511	1,530	-	4,263
Operating Margin	0.2%					14.6%
Other expense:						
Interest expense	(377)	-	-	-	-	(377)
Other expense, net	(313)	-	-	-	-	(313)
Total other expense	(690)	-	-	-	-	(690)
(Loss) income before income taxes	(632)	1,164	1,511	1,530	-	3,573
Income tax (benefit) expense	(222)	-	-	-	1,040	818
Net (loss) income	\$ (410)	\$ 1,164	\$ 1,511	\$ 1,530	\$ (1,040)	\$ 2,755
(Loss) income per share	\$ (0.01)					\$ 0.06
Diluted weighted average common shares	40,152					43,425

GAAP to Non-GAAP Reconciliation: Six Months Ended June 30, 2022



HARVARD BIOSCIENCE, INC.						
Reconciliation of GAAP to Non-GAAP Financial Measures (unaudited)						
Six Months Ended June 30, 2022						
(in thousands, except per share data)						
Statement of Operations	GAAP	Stock-Based Compensation	Acquired Assets Amortization	Settlement, Restructuring, Transformation	Income Taxes	ADJUSTED
Revenues	\$ 57,986	-	-	-	-	\$ 57,986
Cost of revenues	25,172	(88)	(20)	(157)	-	24,907
Gross profit	32,814	88	20	157	-	33,079
Gross Margin	56.6%					57.0%
Operating expenses:						
Sales and marketing expenses	13,274	(346)	(3)	(370)	-	12,555
General and administrative expenses	12,306	(1,714)	(30)	(1,919)	-	8,643
Research and development expenses	6,717	(114)	(19)	(127)	-	6,457
Amortization of intangible assets	2,920	-	(2,920)	-	-	-
Settlement of litigation, net	311	-	-	(311)	-	-
Total operating expenses	35,528	(2,174)	(2,972)	(2,727)	-	27,655
Operating Expenses - % of Revenues	61.3%					47.7%
Operating (loss) income	(2,714)	2,262	2,992	2,884	-	5,424
Operating Margin	-4.7%					9.4%
Other (expense) income:						
Interest expense	(899)	-	-	-	-	(899)
Other income, net	16	-	-	-	-	16
Total other expense	(883)	-	-	-	-	(883)
(Loss) income before income taxes	(3,597)	2,262	2,992	2,884	-	4,541
Income tax expense	848	-	-	-	165	1,013
Net (loss) income	\$ (4,445)	\$ 2,262	\$ 2,992	\$ 2,884	\$ (165)	\$ 3,528
(Loss) income per share	\$ (0.11)					\$ 0.08
Diluted weighted average common shares	41,256					42,696

GAAP to Non-GAAP Reconciliation: Six Months Ended June 30, 2021



HARVARD BIOSCIENCE, INC.						
Reconciliation of GAAP to Non-GAAP Financial Measures (unaudited)						
Six Months Ended June 30, 2021						
(in thousands, except per share data)						
Statement of Operations	GAAP	Stock-Based Compensation	Acquired Assets Amortization	Restructuring, Transformation	Income Taxes	ADJUSTED
Revenues	\$ 56,186	-	-	-	-	\$ 56,186
Cost of revenues	24,402	(51)	(36)	(153)	-	24,162
Gross profit	31,784	51	36	153	-	32,024
Gross Margin	56.6%					57.0%
Operating expenses:						
Sales and marketing expenses	11,116	(224)	(4)	(114)	-	10,774
General and administrative expenses	12,732	(1,803)	(33)	(1,954)	-	8,942
Research and development expenses	5,188	(54)	(22)	(294)	-	4,818
Amortization of intangible assets	2,929	-	(2,929)	-	-	-
Total operating expenses	31,965	(2,081)	(2,988)	(2,362)	-	24,534
Operating Expenses - % of Revenues	56.9%					43.7%
Operating income	(181)	2,132	3,024	2,515	-	7,490
Operating Margin	-0.3%					13.3%
Other expense:						
Interest expense	(788)	-	-	-	-	(788)
Other expense, net	(347)	-	-	-	-	(347)
Total other expense	(1,135)	-	-	-	-	(1,135)
(Loss) income before income taxes	(1,316)	2,132	3,024	2,515	-	6,355
Income tax (benefit) expense	(237)	-	-	-	1,784	1,547
Net (loss) income	\$ (1,079)	\$ 2,132	\$ 3,024	\$ 2,515	\$ (1,784)	\$ 4,808
(Loss) income per share	\$ (0.03)					\$ 0.11
Diluted weighted average common shares	39,960					42,954

GAAP to Non-GAAP Reconciliation: Adjusted EBITDA



HARVARD BIOSCIENCE, INC.
Reconciliation of GAAP to Non-GAAP Financial Measures (unaudited)
(in thousands)

	Three Months Ended		Six Months Ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Operating income	\$ 3,998	\$ 58	\$ (2,714)	\$ (181)
Stock-based compensation expense	1,239	1,164	2,262	2,132
Acquired asset amortization	1,488	1,511	2,992	3,024
Settlements, restructuring and transformation costs	(3,668)	1,530	2,884	2,515
Adjusted operating income	3,057	4,263	5,424	7,490
Depreciation expense	376	446	758	891
Adjusted EBITDA	\$ 3,433	\$ 4,709	\$ 6,182	\$ 8,381