



NASDAQ: HBIO
Q4'19 Earnings Presentation

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Forward-Looking Statements and Non-GAAP Financial Information



Forward-Looking Statements

This 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, the Company's anticipated future revenues and earnings, the strength of the Company's market position and business model, industry outlook; the Company's business strategy, the positioning of the Company for growth, the market demand and opportunity for the Company's current products, or products it is developing or intends to develop, and the Company's plans, objectives and intentions that are not historical facts. These statements involve known and unknown risks, uncertainties and other factors that may cause the Company's 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 Form 10-K, including our Form 10-K for the year ended December 31, 2018, Form 10-Q and Form 8-K filings with the Securities and Exchange Commission and as otherwise enumerated herein or therein may cause the Company's 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. The Company's results may also be affected by factors of which the Company is not currently aware. The Company may not update these forward-looking statements, even though its situation may change in the future, unless it has 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 revenue, adjusted gross profit, adjusted operating income, adjusted net income, adjusted EBITDA 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 revenue and 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 currency translation, amortization of intangibles related to acquisitions, costs related to acquisition, disposition and integration initiatives, impairment charges, gains or losses from divestitures, forensic investigation and remediation costs, severance and restructuring 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 and 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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Highlights

Q4'19 Highlights

- Significant year-over-year Adjusted Operating Margin growth: 14% to 18%
- Strong cash flow: year-over-year leverage reduction from 3.7x to 3.3x
- Major restructuring plan initiated: greater than \$4M annualized savings

2020 Outlook

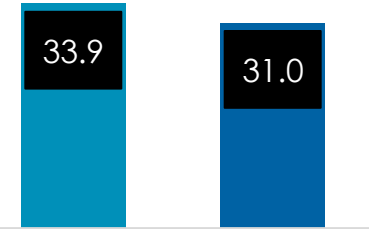
- Return to organic sales growth
- Significant Adjusted Operating Margin expansion to mid-teens
- Strong cash flow: debt reduction resulting in leverage < 2.5x

2019 Q4 Earnings Presentation

Q4 2019 Performance

- Revenue: \$31.0M, down \$2.9M (-8.6%)
(includes -\$0.2M of F/X, -\$1.3M of low-margin portfolio rationalization)
- Gross Margin (GAAP) 55.6%, up 30 bps
- Adjusted Gross Margin* 55.9%, down 30 bps
- Operating Income / Margin (GAAP) \$1.6M / 5.3%
- Adj. Operating Income / Margin* \$5.6M / 18.1%, up 400 bps
- EPS (GAAP) \$0.01
- Adjusted Diluted EPS* \$0.08, up \$0.01
- Cash Flow from Operations \$2.0M

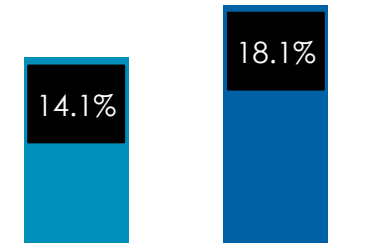
Revenue (\$M)



Q4 2018

Q4 2019

Adj. Operating Margin *



Q4 2018

Q4 2019

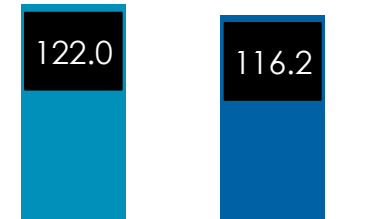
* Denotes Non-GAAP, reconciliations to GAAP financial measures are available in the earnings press release and the appendix at the end of this presentation.

2019 Full Year

FY 2019 Performance

- Revenue (GAAP) \$116.2M, down 3.8%
- Gross Margin (GAAP) 55.4%
- Adjusted Gross Margin* 55.8%, up 10 bps
- Operating Income/ Margin (GAAP) \$0.4M / 0.3%
- Adj. Operating Income / Margin* \$14.9M / 12.8%, up 70 bps
- EPS (GAAP) (\$0.12)
- Adjusted Diluted EPS* \$0.18, down \$0.02
- Cash Flow from Operations \$8.0M

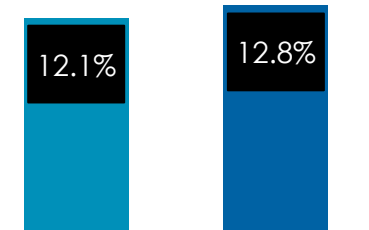
Adj. Revenue (\$M) *



FY 2018

FY 2019

Adj. Operating Margin *



FY 2018

FY 2019

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2019 Revenue by Product Family

(in \$M)	Q4 2019	Q4 2018	△	FY 2019	FY 2018	△	
Cellular & Molecular Products*	19.6	20.6	-4.9%	75.2	78.2	-3.8%	<p>Headwinds in Europe for the year through Q3'19, recovered in Q4</p> <ul style="list-style-type: none"> • \$1.3M Q4 impact from Product Portfolio Rationalization • \$2.1M full year impact from a few large OEM/distributors
Pre-Clinical Products*	11.6	13.3	-12.8%	43.0	46.2**	-6.9%	<ul style="list-style-type: none"> • CRO: consolidation impacted run-rate in 1st half, recovery started in Q3, continued in Q4 • Pharma: large purchases from two customers in Q4'18, revenue came to normalized levels exiting 2019 • Academic: Europe trended down through the year, exacerbated by gaps in sales coverage, which are being addressed <p><i>(**FY18 comparable includes \$3.2M from final month of pre-acquisition DSI sales)</i></p>
Currency	(0.2)		-0.6%	(1.9)			
DSI Pre Acquisition					(3.2)		Acquired in January 2018; 1 month included in \$46.2M above
Denville					0.8		1 month of revenue in 2018 prior to January 2018 divestiture
Adjusted Revenue*	31.0	33.9	-8.6%	116.2	122.0	-4.8%	

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2019 Q4 Earnings Presentation



Action Plan Update – Announced Restructuring Plan

- Completed TBSI consolidation into Minneapolis operation
- Initiated Connecticut manufacturing consolidation to Holliston MA
- Initiated downsizing of UK operation
- Reduction in force > 10% across overall business
- Annualized savings > \$4M executed in primarily 1st half 2020
- 1x costs of \$4-\$5M expected in total over Q4'19 and 2020

Financial Section

Q4 2019 Non-GAAP Results



(in \$M, except EPS)	Q4 2019	Q4 2018	△
Adjusted Revenue*	31.0	33.9	-8.6%
Adjusted Gross Profit* <i>Adj. Gross Margin</i>	17.3 55.9%	19.1 56.2%	-9.4% -30 bps
Adj. Operating Expenses* <i>(% of revenue)</i>	(11.7) 37.8%	(14.3) 42.1%	-18.2%
Adj. Operating Income* <i>Adj. Operating Margin</i>	5.6 18.1%	4.8 14.1%	+16.7% +400 bps
Adjusted Tax Rate*	25.0%	16.9%	+810 bps
Adjusted Net Income* <i>% of revenue</i>	3.1 9.9%	2.8 8.2%	+10.7%
Adjusted Diluted EPS*	0.08	0.07	+0.01
Diluted Shares Outstanding	39.1	37.9	+3.2%
(\$M)	Q4 2019	Q4 2018	△
Net Debt	(46.7)	(54.2)	-13.8%
Leverage Ratio	3.3x	3.7x	

- Revenue -8.6% (-8.0% excluding currency)
 - Americas down on product rationalization (\$1.3M), large pharma deals in Q4'18
 - ROW: flat in Q4, improvements in China, Europe after Q3 YTD headwinds
- Operating margin +400 bps driven by operational cost savings
- EPS up \$0.01 on cost reduction, partially offset by higher share count, tax rate, FX
- Net debt and leverage reduction continues with \$2.0M cash flow from operations in Q4'19

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FY 2019 Non-GAAP Results

(in \$M, except EPS)	FY 2019	FY 2018	△
Adjusted Revenue*	116.2	122.0	-4.8%
Adjusted Gross Profit* <i>Adj. Gross Margin</i>	64.9 55.8%	68.0 55.7%	-4.6%
Adj. Operating Expenses* <i>(% of revenue)</i>	(50.0) 43.0%	(53.2) 43.6%	-6.0%
Adj. Operating Income* <i>Adj. Operating Margin</i>	14.9 12.8%	14.8 12.1%	+0.7% +70 bps
Adjusted Tax Rate*	21.7%	19.2%	+250 bps
Adjusted Net Income* <i>% of revenue</i>	7.0 6.1%	7.4 6.0%	-5.4%
Adjusted Diluted EPS*	0.18	0.20	-0.02
Diluted Shares Outstanding	38.4	36.5	+5.2%
(\$M)	FY 2019	FY 2018	△
Cash Flow From Operations	8.0	2.9	+5.1

- Revenue -4.8%
 - 5.2% excluding currency impact (-1.6%), acquisitions / divestitures (+2.0%)
 - CROs declines in 1st half on consolidations, stabilizing in 2nd half
 - Europe down on academic funding challenges
 - Product rationalization (\$1.3M)
- Operating margin +70 bps driven by operational cost savings
- EPS down \$0.02 YoY on tax rate, higher share count
- \$8.0M cash flow from operations
- Inventory reduced by \$3M (12%) vs. Q4' 18

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2020 Outlook

2020 Looking Forward

2020 Cost Reductions Expand both Gross Margin and Operating Margins

\$4M annualized savings from global restructuring announced in Q4'19, savings begin Q1

- Consolidation of Connecticut manufacturing into core Massachusetts operation in process, complete mid-2020
- Restructuring Cambridge UK operations in process, complete mid-2020
- Global headcount reduction of approx. 10% across functions – substantially complete in Q1

2020 Looking Forward

2020 Growth Drivers

- CRO consolidation impact annualized and return to growth in the 1st half
- CRO & Pharma expect increased growth on demand for next generation implantable telemetry devices starting in Q1
- Incremental pull through opportunities for cellular based products (CMT products) on expanding use of cell-based testing for CRO & Pharma customers
- Academic sales remain stable, and we see expanded opportunity in CRISPR related products and cellular level testing
- Distribution / OEM Partners: expect modest decline, we are addressing channel management

2020 Financial Outlook

2020 Full Year Outlook – In line with previously announced targets

- Revenue returns to organic growth in the low single digits
- Gross Margin Expansion of approx. 2 percentage points
- Operating Margin Expansion of approx. 3 percentage points: reaching 15%-16% full year
- Debt reduction continues, expect leverage ratio below 3x by end of 1st half

Appendix

GAAP Income Statements

(in \$M, except EPS)	Q4 2019	Q4 2018	FY 2019	FY 2018
Revenue	31.0	33.9	116.2	120.8
Gross Profit <i>Gross Margin</i>	17.2 55.6%	18.7 55.3%	64.3 55.4%	63.2 52.3%
Operating Expenses <i>% of revenue</i>	15.6 50.4%	17.0 50.2%	63.9 55.0%	62.2 51.5%
Operating Income (loss) <i>Operating Margin</i>	1.6 5.3%	1.7 5.1%	0.4 0.3%	1.0 0.8%
Net Income (loss) <i>% of revenue</i>	0.6 1.8%	2.9 8.5%	(4.7) -4.0%	(2.9) -2.4%
EPS	0.01	0.08	(0.12)	(0.08)

Balance Sheet

(in \$M)	Q4'18	Q4'19
<u>Assets</u>		
Cash & Cash Equivalents	8.2	8.3
Accounts Receivables	21.5	20.7
Inventories	25.1	22.1
Other Current Assets	3.1	2.5
Total Current Assets	57.8	53.6
Property, Plant, Equipment	5.9	4.8
Goodwill & Other Intangibles	103.1	95.8
Other Assets	1.8	10.7
Total Assets	168.6	164.9
<u>Liabilities & Stockholders' Equity</u>		
Current Portion, LT Debt	6.0	6.9
Other Current Liabilities	19.5	18.4
Total Current Liabilities	25.5	25.3
Long-Term Debt	54.8	46.9
Other Long-Term Liabilities	5.6	10.9
Stockholders Equity	82.7	81.7
Total Liabilities & Stockholders' Equity	168.6	164.9

Cash Flow Statements

(in \$M)	YTD 2019	YTD 2018
Net Cash Provided by Operating Activities	8.0	2.9
Additions to PP&E	(1.2)	(1.0)
Acq., net of cash acquired	-	(68.6)
Disposition, net of cash sold	1.0	15.8
Other investing activities	(0.0)	(0.0)
Net Cash Provided by Investing Activities	(0.2)	(53.8)
Proceeds from issuance of debt	4.3	70.7
Repayments of debt	(11.7)	(20.2)
Other financing activities	(0.2)	2.6
Net Cash Provided by Financing Activities	(7.6)	53.1
Effect of exchange rate changes on cash	(0.0)	0.3
Cash at Beginning of Period	8.2	5.7
Cash at End of Period	8.3	8.2
Increase (decrease) in cash	0.2	2.4

GAAP to Non-GAAP Reconciliation



(In thousands)

	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
GAAP revenue	\$ 30,972	\$ 33,858	\$ 116,176	\$ 120,774
Denville revenue reported within discontinued operations	-	-	-	893
Deferred revenue valuation adjustments on acquisition	-	77	26	284
Adjusted revenue	\$ 30,972	\$ 33,935	\$ 116,202	\$ 121,951
GAAP gross profit	\$ 17,234	\$ 18,740	\$ 64,322	\$ 63,181
Stock-based compensation expense	9	20	45	65
Severance, restructuring and acquisition costs	45	40	366	82
Non-cash expense - acquisition accounting	20	277	117	4,300
Denville operations	-	-	-	360
Adjusted gross profit	\$ 17,308	\$ 19,077	\$ 64,850	\$ 67,988
GAAP gross profit % of revenue	55.6%	55.3%	55.4%	52.3%
Adjusted gross profit % of revenue	55.9%	56.2%	55.8%	55.7%
GAAP operating expenses	\$ 15,600	\$ 16,998	\$ 63,945	\$ 62,197
Stock-based compensation expense	(832)	(792)	(2,985)	(2,829)
Severance, restructuring and acquisition costs	(1,506)	(86)	(3,577)	(690)
Intangible assets amortization and impairments	(1,517)	(1,401)	(7,207)	(5,384)
Non-cash expense - acquisition accounting	(38)	(419)	(179)	(419)
Denville adjusted operating expense	-	-	-	343
Adjusted operating expenses	\$ 11,707	\$ 14,300	\$ 49,997	\$ 53,218

GAAP to Non-GAAP Reconciliation

(In thousands, except EPS)

	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
GAAP operating income	\$ 1,634	\$ 1,742	\$ 377	\$ 984
Stock-based compensation expense	841	812	3,030	2,894
Severance, restructuring and acquisition costs	1,551	127	3,943	772
Intangible assets amortization and impairments	1,517	1,401	7,207	5,385
Non-cash expense - acquisition accounting	58	696	296	4,719
Denville adjusted operating income	-	-	-	17
Adjusted operating income	\$ 5,601	\$ 4,778	\$ 14,853	\$ 14,771
GAAP operating income % of revenue	5.3%	5.1%	0.3%	0.8%
Adjusted operating income % of revenue	18.1%	14.1%	12.8%	12.1%
GAAP net income (loss)	\$ 550	\$ 2,863	\$ (4,687)	\$ (2,922)
Stock-based compensation expense	841	812	3,030	2,894
Severance, restructuring and acquisition costs	1,551	374	3,943	4,066
Intangible assets amortization and impairments	1,517	1,401	7,207	5,384
Non-cash expense - acquisition accounting	58	696	296	4,719
Denville adjusted operating income (A)	-	-	-	(920)
Income taxes (B)	(1,472)	(3,380)	(2,766)	(5,861)
Adjusted net income	\$ 3,045	\$ 2,766	\$ 7,023	\$ 7,360
GAAP diluted earnings (loss) per common share	\$ 0.01	\$ 0.08	\$ (0.12)	\$ (0.08)
Adjusted items after tax per share assuming dilution	0.07	(0.01)	0.30	0.28
Adjusted diluted earnings per common share	\$ 0.08	\$ 0.07	\$ 0.18	\$ 0.20

(A) For the year ended December 31, 2018, the non-GAAP adjustments reported in discontinued operations related to the sale of Denville included a \$1,251 gain on sale, \$49 in amortization of intangible assets, \$132 in disposition costs, and \$150 in stock-based compensation expense.

(B) Income taxes includes the tax effect of adjusting for the reconciling items using the calculated effective tax rate, including the post-2017 impact of tax reform in the jurisdictions in which the reconciling items arise.

GAAP to Non-GAAP Reconciliation 2020 Guidance



Exhibit 5

HARVARD BIOSCIENCE, INC. Reconciliation of GAAP Measures to Non-GAAP Guidance for 2020 (unaudited)

Projected GAAP operating income % of revenue (A)	4 % - 5 %
Adjustments:	
Stock-based compensation expense	3%
Severance, restructuring, and acquisition costs	3%
Intangible assets amortization and impairments	5%
Projected adjusted operating income % of revenue (A)	<u>15 % - 16 %</u>

(A) This guidance excludes, among other things, the impact of future acquisitions or acquisition-related costs.