



NASDAQ: HBIO  
Q3 Earnings Presentation

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**November 5, 2019**



# 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 expenses, adjusted operating income, adjusted net income, and adjusted diluted earnings per 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, 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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# 2019 Q3 Earnings Presentation

## Q3 2019 Performance

▪ Revenue	\$27.4M, down 4.3%
▪ Gross Margin (GAAP)	54.6%
▪ Adjusted Gross Margin*	55.6%
▪ Operating Loss / Margin (GAAP)	\$(1.4)M / (5.0%)
▪ Adj. Operating Income / Margin*	\$3.3M / 12.1%
▪ EPS (GAAP)	\$(0.07)
▪ Adjusted Diluted EPS*	\$0.04
▪ Cash Flow from Operations	\$5.8M (YTD)



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

# Q3 2019 Revenue by Product Family

(in \$ M)	Q3 2019	Q3 2018	△
Cellular & Molecular Technologies*	17.3	17.5	-1.1%
Pre-Clinical Systems (DSI)*	10.5	11.2	-6.3%
Currency Impact	(0.4)		-1.4%
Adjusted Revenue*	27.4	28.7	-4.5%

## Comments:

- Cellular & Molecular Technologies
  - North America, APAC growth on CRISPR related products, high margin infusion pumps
  - EMEA decline on large equipment order timing
  
- Pre-Clinical Systems
  - North America up on Pharma sales
  - CROs return to historical run-rates, although Q3'18 was an all time high giving a hard PY comparison
  - EMEA down modestly
  - APAC down with trade uncertainty

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# 2019 Q3 Earnings Presentation

## 2019 Action Plan Update – Position to Make the 2020 Targets

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- Completed the leadership team
  - Mike Rossi – CFO
  - Ken Olson – Leads our DSI Preclinical Business
  - Yash Singh – Leads our Cellular and Molecular Business
- Consolidated TBSI into DSI's Minneapolis operation
- Closely managing operating expenses
- Consolidating Cellular & Molecular sales for improved coverage for 2020
- Finalizing consolidation plans for a leaner global footprint
- Debt reduction continues; secured increased flexibility with current lender

# Financial Section

# Q3 2019 Overview

(in \$ M, except EPS)	Q3 2019	Q3 2018	△
Adjusted Revenue*	27.4	28.7	-4.5%
Adj. Operating Income* % of revenue	3.3 12.1%	3.2 11.2%	3.6% +90 bps
Adjusted Diluted EPS*	\$0.04	\$0.04	flat

(\$ M)	Q3 2019	Q3 2018	△
Net Debt	48.8	56.1	-13.1%
Cash Flow from Operations (YTD)	5.8	0.3	+5.5

Net Debt = Term loan debt less cash on hand

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

## Comments:

- Revenue -4.5%
  - -3.1% excluding currency impact
  - North America: growth including improving CRO revenue
  - EMEA/APAC: continued headwinds, order timing
  
- Adjusted Operating Income: up 3.6%, +90 bps on cost reduction, improved product mix offsetting impact of lower revenue
  
- \$6M cash flow from operations contributes to \$7M YTD net debt reduction



# Q3 2019 Non-GAAP Results

(in \$ M, except EPS)	Q3 2019	Q3 2018	△
Adjusted Gross Profit* <i>% of revenue</i>	15.2 55.6%	16.0 55.8%	-4.8% -20 bps
Adj. Operating Expenses* <i>% of revenue</i>	(11.9) 43.5%	(12.8) 44.6%	-6.9%
Adj. Operating Income* <i>% of revenue</i>	3.3 12.1%	3.2 11.2%	+3.6% +90 bps
Adjusted Net Income* <i>% of revenue</i>	1.7 6.3%	1.3 4.6%	+31.2%
Adjusted Diluted EPS*	0.04	0.04	Flat

## Comments:

- Adjusted Gross Margin: improvements in product mix offset by E&O charges, lower volume in Europe
- Adjusted Operating Expense reduction with ongoing cost focus
- Adjusted Diluted EPS flat on lower interest expense (debt reduction), higher adjusted operating income, offset by higher share count
  - Share count higher in Q3'19 due to adoption of best practice utilizing fully diluted shares versus basic shares only in periods with GAAP loss previously

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

# Summary and 2019 Q4 Outlook

- Continue actions for next year's profitability and growth targets
- Consolidations & operating efficiencies drive gross and operating margin improvement 2H 2020
- Headwinds annualize 1H 2020, sales optimization accelerates topline growth in 2H 2020

## Q4 Outlook / Full Year 2019 Guidance:

- Revenue stabilizing, continue at lower run-rate into Q4; \$116M - \$118M full year
- Adjusted gross margin on target at ~56% for the year
- Adjusted Q4 operating margin 17%-18% up from 14% PY, 12-13% full year, versus 12% PY
- Adjusted Diluted EPS at \$0.19 for the year

Thank You

# Appendix

# Q3 2019 GAAP Results

(in \$ M, except EPS)	Q3 2019	Q3 2018	△
Revenue	27.4	28.6	-4.3%
Gross Profit <i>% of revenue</i>	15.0 54.6%	15.8 55.2%	-5.3% -60 bps
Operating Expenses <i>% of revenue</i>	16.3 59.6%	14.9 52.1%	+9.5%
Operating Income (loss) <i>% of revenue</i>	(1.4) -5.0%	0.9 3.1%	-153.4% -810 bps
Net Income (loss) <i>% of revenue</i>	(2.6) -9.6%	(0.3) -0.9%	-1023.4%
EPS	(0.07)	(0.01)	(0.06)

# Reconciliation of GAAP to Non-GAAP Financial Measures



(In thousands)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2019	2018	2019	2018
GAAP revenue	\$ 27,418	\$ 28,635	\$ 85,204	\$ 86,916
Denville revenue reported within discontinued operations	-	-	-	893
Deferred revenue valuation adjustments on acquisition	-	78	26	207
Adjusted revenue	<u>\$ 27,418</u>	<u>\$ 28,713</u>	<u>\$ 85,230</u>	<u>\$ 88,016</u>
GAAP gross profit	\$ 14,979	\$ 15,817	\$ 47,088	\$ 44,441
Stock-based compensation expense	13	19	34	45
Severance, restructuring and acquisition costs	237	22	321	42
Non-cash expense - acquisition accounting	20	165	98	4,023
Denville operations	-	-	-	360
Adjusted gross profit	<u>\$ 15,249</u>	<u>\$ 16,023</u>	<u>\$ 47,541</u>	<u>\$ 48,911</u>
GAAP gross profit % of revenue	54.6%	55.2%	55.3%	51.1%
Adjusted gross profit % of revenue	55.6%	55.8%	55.8%	55.6%
GAAP operating expenses	\$ 16,344	\$ 14,927	\$ 48,345	\$ 45,199
Stock-based compensation expense	(974)	(467)	(2,159)	(2,082)
Severance, restructuring and acquisition costs	(1,522)	(176)	(2,070)	(603)
Intangible assets amortization and impairments	(1,882)	(1,468)	(5,690)	(3,983)
Non-cash expense - acquisition accounting	(39)	-	(141)	-
Denville adjusted operating expense	-	-	-	343
Adjusted operating expenses	<u>\$ 11,927</u>	<u>\$ 12,816</u>	<u>\$ 38,285</u>	<u>\$ 38,874</u>

# Reconciliation of GAAP to Non-GAAP Financial Measures



	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
(In thousands, except EPS)				
GAAP operating income (loss)	\$ (1,365)	\$ 890	\$ (1,257)	\$ (758)
Stock-based compensation expense	987	486	2,193	2,082
Severance, restructuring and acquisition costs	1,759	198	2,391	645
Intangible assets amortization and impairments	1,882	1,468	5,690	3,983
Non-cash expense - acquisition accounting	59	165	239	4,023
Denville adjusted operating income	-	-	-	360
Adjusted operating income	<u>\$ 3,322</u>	<u>\$ 3,207</u>	<u>\$ 9,256</u>	<u>\$ 10,335</u>
GAAP operating income (loss) % of revenue	-5.0%	3.1%	-1.5%	-0.9%
Adjusted operating income % of revenue	12.1%	11.2%	10.9%	11.7%
GAAP net loss	\$ (2,620)	\$ (256)	\$ (5,237)	\$ (5,784)
Stock-based compensation expense	987	486	2,193	2,082
Severance, restructuring and acquisition costs	1,759	400	2,391	3,692
Intangible assets amortization and impairments	1,882	1,468	5,690	3,983
Non-cash expense - acquisition accounting	59	165	239	4,023
Denville adjusted operating income (A)	-	-	-	(920)
Income taxes (B)	(341)	(947)	(1,294)	(2,481)
Adjusted net income	<u>\$ 1,726</u>	<u>\$ 1,316</u>	<u>\$ 3,982</u>	<u>\$ 4,595</u>
GAAP diluted loss per common share	\$ (0.07)	\$ (0.01)	\$ (0.14)	\$ (0.16)
Adjusted items after tax per share assuming dilution (C)	0.11	0.05	0.24	0.29
Adjusted diluted earnings per common share	<u>\$ 0.04</u>	<u>\$ 0.04</u>	<u>\$ 0.10</u>	<u>\$ 0.13</u>

(A) For the nine months ended September 30, 2018, the Non-GAAP adjustments reported in discontinued operations related to the sale of Denville included a \$1,251 gain on sale, \$47 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.

(C) Share count higher in Q3'19 due to utilization of fully diluted shares versus basic shares only in periods with GAAP loss previously.

# Reconciliation of GAAP Measures to Non-GAAP Guidance for 2019



Projected GAAP gross profit % of revenue (A)	55.6%
Adjustments:	
Severance, restructuring, and acquisition costs	0.3%
Non-cash expense - acquisition accounting	0.1%
Projected adjusted gross profit % of revenue (A)	<u>56.0%</u>
Projected GAAP operating loss % of revenue (A)	1 % - 2 %
Adjustments:	
Stock-based compensation expense	3%
Severance, restructuring, and acquisition costs	2%
Intangible assets amortization and impairments	6%
Projected adjusted operating income % of revenue (A)	<u>12 % - 13 %</u>
Projected GAAP diluted loss per common share (A)	\$ (0.10)
Adjustments:	
Stock-based compensation expense	0.08
Severance, restructuring and acquisition costs	0.07
Intangible assets amortization and impairments	0.19
Non-cash expense - acquisition accounting	0.01
Income taxes (B)	(0.06)
Projected adjusted diluted earnings per common share (A)	<u>\$ 0.19</u>

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

(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 and any changes to valuation allowances.