

HARVARD BIOSCIENCE INC
Form 10-Q
May 10, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

x **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended March 31, 2018

.. **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from _____ to _____

Commission file number 001-33957

HARVARD BIOSCIENCE, INC.

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of May 3, 2018, there were 35,980,459 shares of common stock, par value \$0.01 per share, outstanding.

HARVARD BIOSCIENCE, INC.

FORM 10-Q

For the Quarter Ended March 31, 2018

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	March 31, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$5,991	\$5,192
Accounts receivable, net of allowance for doubtful accounts of \$234 and \$193, respectively	18,958	13,382
Inventories	27,902	16,848
Other receivables and other assets	2,959	3,709
Current assets held for sale	-	8,404
Total current assets	55,810	47,535
Property, plant and equipment, net	5,821	3,743
Deferred income tax assets	1,102	182
Amortizable intangible assets, net	49,370	10,030
Goodwill	56,239	36,336
Other indefinite lived intangible assets	1,253	1,244
Other assets	1,352	324
Long term assets held for sale	-	9,960
Total assets	\$170,947	\$109,354
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion, long-term debt	\$1,413	\$2,765
Accounts payable	7,359	4,410
Deferred revenue	3,853	505
Accrued income taxes	538	395
Accrued expenses	7,689	3,816
Other liabilities - current	1,432	293
Current liabilities held for sale	-	1,857
Total current liabilities	22,284	14,041

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Long-term debt, less current installments	61,569	8,983
Deferred income tax liabilities	1,702	2,653
Other long term liabilities	6,098	1,466
Long term liabilities held for sale	-	1,311
Total liabilities	91,653	28,454
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, par value \$0.01 per share, 5,000,000 shares authorized	-	-
Common stock, par value \$0.01 per share, 80,000,000 shares authorized; 43,409,357 and 42,763,985 shares issued and 35,663,850 and 35,018,478 shares outstanding, respectively	422	419
Additional paid-in-capital	220,020	218,792
Accumulated deficit	(121,031)	(116,967)
Accumulated other comprehensive loss	(9,449)	(10,676)
Treasury stock at cost, 7,745,507 common shares	(10,668)	(10,668)
Total stockholders' equity	79,294	80,900
Total liabilities and stockholders' equity	\$ 170,947	\$ 109,354

See accompanying notes to unaudited consolidated financial statements.

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	Three Months Ended March 31,	
	2018	2017
Revenues	\$26,759	\$18,086
Cost of revenues	13,490	8,509
Gross profit	13,269	9,577
Sales and marketing expenses	5,646	3,478
General and administrative expenses	5,384	4,788
Research and development expenses	2,402	1,285
Amortization of intangible assets	1,103	376
Total operating expenses	14,535	9,927
Operating loss	(1,266)	(350)
Other expense:		
Foreign exchange	(347)	(143)
Interest expense, net	(894)	(163)
Other expense, net	(2,738)	(94)
Other expense, net	(3,979)	(400)
Loss from continuing operations before income taxes	(5,245)	(750)
Income tax expense (benefit)	605	(7)
Loss from continuing operations	(5,850)	(743)
Discontinued operations:		
Income (loss) from discontinued operations before income taxes	913	(293)
Income tax (benefit) expense	(873)	30
Income (loss) from discontinued operations	1,786	(323)
Net loss	\$(4,064)	\$(1,066)
Loss per share:		
Basic loss per common share from continuing operations	\$(0.16)	\$(0.02)
Basic earnings (loss) per common share from discontinued operations	0.05	(0.01)
Basic loss per common share	\$(0.11)	\$(0.03)
Diluted loss per common share from continuing operations	\$(0.16)	\$(0.02)
Diluted earnings (loss) per common share from discontinued operations	0.05	(0.01)

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Diluted loss per common share			\$(0.11)	\$(0.03)
Weighted average common shares:				
Basic		35,463	34,579	
Diluted		35,463	34,579	
Comprehensive loss:				
Net loss			\$(4,064)	\$(1,066)
Foreign currency translation adjustments			1,506	942
Derivatives qualifying as hedges, net of tax:				
(Loss) gain on derivative instruments designated and qualifying as cash flow hedges			(254)	4
Amounts reclassified from accumulated other comprehensive loss to net loss			(25)	3
Total comprehensive loss			\$(2,837)	\$(117)

See accompanying notes to unaudited consolidated financial statements.

Table of Contents**HARVARD BIOSCIENCE, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited, in thousands)**

	Three Months Ended March 31,	
	2018	2017
Cash flows from operating activities:		
Net loss	\$(4,064)	\$(1,066)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Stock compensation expense	1,012	863
Depreciation	495	306
Gain on sale of Denville	(1,227)	-
Amortization of catalog costs	6	9
Provision for (recovery of) allowance for doubtful accounts	5	(15)
Amortization of intangible assets	1,150	599
Amortization of deferred financing costs	276	19
Deferred income taxes	(1,354)	-
Changes in operating assets and liabilities:		
Decrease in accounts receivable	149	410
Decrease (increase) in inventories	799	(300)
Decrease (increase) in other receivables and other assets	650	(526)
Increase (decrease) in trade accounts payable	1,346	(320)
Increase (decrease) in accrued income taxes	173	(110)
Increase (decrease) in accrued expenses	850	(571)
Increase in deferred revenue	429	92
Decrease in other liabilities	(247)	-
Net cash provided by (used in) operating activities	448	(610)
Cash flows used in investing activities:		
Additions to property, plant and equipment	(493)	(198)
Additions to catalog costs	(13)	(30)
Acquisition, net of cash acquired	(67,413)	-
Disposition, net of cash sold	15,730	-
Net cash used in investing activities	(52,189)	(228)
Cash flows provided by (used in) financing activities:		
Proceeds from issuance of debt	67,000	1,000
Repayments of debt	(14,047)	(1,113)
Payments of debt issuance costs	(1,928)	-
Net proceeds from (net taxes paid for) issuance of common stock	219	(155)
Net cash provided by (used in) financing activities	51,244	(268)

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Effect of exchange rate changes on cash	755	109
Increase (decrease) in cash and cash equivalents	258	(997)
Cash and cash equivalents at the beginning of period, including cash included in assets held for sale	5,733	5,596
Cash and cash equivalents at the end of period	\$5,991	\$4,599
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$944	\$164
Cash (refunded) paid for income taxes	\$(489)	\$333

See accompanying notes to unaudited consolidated financial statements.

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HARVARD BIOSCIENCE, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The unaudited consolidated financial statements of Harvard Bioscience, Inc. and its wholly-owned subsidiaries (collectively, Harvard Bioscience or the Company) as of March 31, 2018 and for the three months ended March 31, 2018 and 2017 have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) have been condensed or omitted pursuant to such rules and regulations. The December 31, 2017 consolidated balance sheet was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP. However, the Company believes that the disclosures are adequate to make the information presented not misleading. These unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, which was filed with the SEC on March 16, 2018.

In the opinion of management, all adjustments, which include normal recurring adjustments necessary to present a fair statement of financial position as of March 31, 2018, results of operations and comprehensive loss for the three months ended March 31, 2018 and 2017 and cash flows for the three months ended March 31, 2018 and 2017, as applicable, have been made. The results of operations for the three months ended March 31, 2018 are not necessarily indicative of the operating results for the full fiscal year or any future periods.

Reclassifications

As disclosed in the Note 5, on January 22, 2018, the Company sold substantially all the assets of its operating subsidiary, Denville Scientific, Inc. (Denville). The sale of Denville represented a strategic shift that has and will have a major effect on the Company's operations and financial results. As such and pursuant to Accounting Standards Codification (ASC) 205-20 – *Presentation of Financial Statements - Discontinued Operations*, the operating results of Denville for the three months ended March 31, 2018 and 2017 have been presented in discontinued operations in the consolidated statements of operations. Additionally, the assets and liabilities of Denville as of December 31, 2017 have been recast in the consolidated balance sheet and presented as held for sale. These reclassifications and

adjustments had no effect on total amounts within the consolidated balance sheet, consolidated statements of operations and comprehensive loss, consolidated statements of cash flows for any of the periods presented.

Summary of Significant Accounting Policies

The accounting policies underlying the accompanying unaudited consolidated financial statements are those set forth in Note 2 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017, which was filed with the SEC on March 16, 2018. Except for the accounting for revenue arising from contracts with customers as noted below there have been no material changes in the company's significant accounting policies during the three months ended March 31, 2018.

Revenue recognition

Nature of contracts and customers

The Company's contracts are primarily of short duration and are mostly based on the receipt and fulfilment of purchase orders. The purchase orders are binding and include pricing and all other relevant terms and conditions.

The Company's customers are primarily research scientists at universities, hospitals, government laboratories, including the United States National Institute of Health (NIH), contract research organizations, pharmaceutical and biotechnology companies. The Company also has global and regional distribution partners, and original equipment manufacturer (OEM) customers who incorporate its products into their products under their own brands.

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Performance obligations

The Company's performance obligations under its revenue contracts consist of its instruments, equipment, accessories, services, maintenance and extended warranties. Equipment also includes software that functions together with the tangible equipment to deliver its essential functionality. Contracts with customers may contain multiple promises such as delivery of hardware, software, professional services or post-contract support services.