

October 13, 2020



# Enzo Biochem Reports Fourth Quarter and Full Year 2020 Financial Results and Provides Business Update

- *Company reports \$19.5 million in revenue and EPS of (\$0.07) in the fourth quarter with significant margin expansion supported by rapid response to COVID-19 market opportunities*
- *Q1 21 first two months' revenue reflect continued positive trend*

***Conference call and live webcast scheduled for today,  
Tuesday, October 13, 2020 at 4:30 pm (ET)***

**New York, NY, Oct. 13, 2020 (GLOBE NEWSWIRE)** -- Enzo Biochem, Inc. (NYSE:ENZ), a leading biosciences and diagnostics company, today reported financial results for the fourth quarter and full year ended July 31, 2020 and provided a business update on recent corporate and operational developments.

## **Operational Highlights:**

- The company made substantial progress on its three objectives of implementing efficiency measures, building infrastructure for growth, and transforming from a bifurcated life sciences company to an integrated end-to-end diagnostics company even in the face of COVID-19 related challenges.
- Received Emergency Use Authorization (EUA) in July for its proprietary product for the detection of SARS-CoV-2. FDA EUA demonstrated the Company's unique integrated in-house capability in developing low cost, high throughput sensitive detection platforms for COVID-19 as well as other diseases. The Authorization for a comprehensive platform supports rapid scalability of testing, including internal use within Enzo's Clinical Lab as well as the ability to sell instrumentation, consumables, and reagents to other diagnostic testing customers. The Authorization includes three diverse platforms: Enzo's proprietary GENFLEX™ automated high-throughput platform, a medium-throughput industry standard platform, and Enzo's manual workflow. Launching a COVID-19 test on its proprietary GENFLEX™ molecular diagnostics platform serves as a case study as the company develops other tests on the platform including an upper respiratory panel, STDs and expanded women's health panels.
- Expanded reagent and supply manufacturing as well as doubled capacity for molecular laboratory testing services at the Company's facilities in Farmingdale, NY to meet rapidly increasing demand for its PCR-based COVID-19 molecular and serological testing. Most laboratories, including those that are part of integrated companies, have

been subject to the supply chain issues that continuously presented challenges in the current pandemic environment.

- Partnered with the New York Division of the Community Pharmacy Enhanced Services Network to provide access to COVID-19 testing at 52 of the network's 155 pharmacies across New York State.
- Partnered with colleges and universities to provide molecular and antibody testing for COVID-19 to the campus community in preparation for reopening and continued operations.

### **Financial Highlights:**

- Monthly revenues have registered steady gains since April when activity was lower as a result of the sharp fall-off in medical visits and the closure of many customer facilities due to COVID-19 lockdowns. Sequentially, quarterly revenues advanced 15%. This positive trend has extended into the first two months of FY 2021.
- The company's current year revenue run-rate exceeds \$100 million, which would translate to 30% topline growth on an annualized basis. Continued growth in operations and revenue potential is further supported by the recently announced expanded capacity of Enzo's proprietary GENFLEX™ platform that should enable the Company to process approximately one million molecular tests per annum within its Enzo Clinical Labs division.
- Gross margins in the Enzo Clinical Labs division reached nearly 40% in the fourth quarter.
- 4Q20 net loss showed a \$2 million improvement over the same period a year ago with total net loss of \$3.3 million.

The fourth quarter encompassed three distinct periods for Enzo from an operational standpoint. While May was a continuation of the previous quarter's low base (due to the NY State PAUSE Stay-at-Home order), June was the beginning of the recovery while July was a strong month for the company. Enzo's resilience and strength in meeting the challenges posed by the COVID-19 pandemic has been demonstrated in the fourth quarter of fiscal 2020. The company is on a path of continued growth with overall corporate profitability a targeted goal in current Fiscal 2021 based on present trends.

"2020 has been a transformational year for Enzo as we expanded our position as a fully integrated diagnostic company and a turnkey solution for all needs in testing research and product development. Our rapid response to market demand for COVID-19 testing products and services demonstrates our agility and flexibility and our ability to maximize new market opportunities by rapidly bringing accurate and reliable testing and lab services to schools, institutions, urgent care facilities, and our core multi-state network of medical practices," said Barry Weiner, President of Enzo. "Importantly, we are well positioned to replicate this success in response to new emerging health issues and needs, including upper respiratory, STD and women's needs."

"We were able to recognize substantial progress towards three fundamental objectives this year including implementing a range of new efficiency measures, building infrastructure that can support our continued growth, and transforming from a bifurcated life sciences company to an integrated diagnostics company. Our efforts also once again reinforce the advantages of our open system platform that can provide the essential levels of flexibility to meet the growing demand for molecular testing services," said Elazar Rabbani, PhD., Chairman and

Chief Executive Officer of Enzo. “I am especially proud of the commitment and dedication of every member of our team in facing the many challenges presented by the COVID-19 pandemic.”

#### **Fourth Quarter 2020 Financial Results**

- Total fourth quarter revenue was \$19.5 million, a decrease of 6.6% from \$20.9 million in the fourth quarter last year, but an increase of 15% sequentially as the company began to recover from the COVID-19 pandemic “stay at home” orders. Consolidated gross margin was 40.0% compared to 30.0% a year ago.
- Enzo Clinical Lab revenue increased 4.6% to \$13.7 million from \$13.1 million in the fourth quarter 2019 and more than 30% sequentially. The year over year improvement was driven by 10% growth in accession count and net revenue per accession due to factors related to the COVID-19 pandemic. Clinical services gross margin increased to 38% from 14% in the fourth quarter 2019, primarily due to favorable mix from increased COVID-19 testing as well as from ongoing cost-saving initiatives
- Enzo Life Sciences revenue of \$5.8 million decreased 26% from \$7.9 million in the fourth quarter 2019 due to the impact of COVID-19 pandemic globally. Gross margin was 46%, compared to 58% in the previous year’s quarter and 48% in the third quarter due to unfavorable product mix and the impact of the COVID-19 pandemic.
- Research and development expenses increased 40% to \$1.2 million, or 6% of total revenues, from \$0.8 million, or 4% of total revenues, in the year ago period. The increase is mostly attributable to investments in the proprietary GENFLEX™ platform. Selling, general and administrative expenses of \$10.1 million declined from \$10.9 million in year ago period, although it was flat as a percentage of revenue.
- GAAP net loss was \$3.3 million or (\$0.07) per share versus a loss of \$5.4 million, or (\$0.11) per share, in the year-ago quarter. Adjusted EBITDA loss in the quarter and year ago periods was \$2.7 million and \$5.0 million, respectively. The year-over-year improvement was driven mainly by increase in gross margin (from COVID-19 testing and lower reagent and reference lab costs) and lower SG&A expenses from headcount efficiencies, and reduced intangibles amortization and travel.
- Adjusted EBITDA is described below under “Adjusted Financial Measures” and is reconciled to the most directly comparable GAAP financial measure, GAAP income (loss), in the accompanying tables.
- Cash and cash equivalents totaled \$48 million at the end of the fiscal year. The company added \$11.4 million of capital during the fiscal year to strengthen its balance sheet through various grants, loans, and advanced payments. As of July 31, 2020, the company had 47.9 million shares outstanding.

#### **Full Year 2020 Financial Results:**

- Total revenues of \$76.0 million during the twelve-month period ended July 31, 2020, decreased 6% compared to revenues of \$81.2 million for the same period in 2019. The decrease is primarily due to COVID-19 pandemic-related accession volume declines and Enzo Life Sciences revenue slowdown, offset by increased COVID-19 testing services that commenced late in the third quarter of the fiscal year.
- Consolidated gross margin was 31%, as compared to 29% in the year-ago period. Services gross margin increased 800 basis points to 21%, primarily due to favorable mix from increased COVID-19 testing as well as from ongoing cost-saving initiatives.

Product gross margin decreased 400 basis points to 50%, primarily due to pandemic-related factors.

- Research and development expenses, net, were \$4.4 million for the year ended July 31, 2020, or 5.9% of total revenue, compared to \$3.2 million, or 3.9% of total revenue, for the same period in 2019. The increase is mostly attributable to investments in the proprietary GENFLEX™ platform. Selling, general and administrative expenses for the year ended July 31, 2020 were \$43.0 million, or 57% of total revenue, compared to \$44.3 million, or 55% of total revenue for the same period in 2019. The decrease is primarily due to cost efficiency measures counterbalanced by costs related to COVID-19 testing. Legal expenses, including proxy related costs, amounted to \$6.7 million, up from \$3.0 million.
- Net loss for the year ended July 31, 2020 was \$28.5 million, or \$(0.60) per share, basic and diluted, compared to net income of \$2.5 million, or \$0.05 per share, basic and diluted, for the year ended July 31, 2019, which included legal settlements, net, of approximately \$29 million. Excluding legal settlements, net, the fiscal year 2019 adjusted net loss amounted to \$26.4 million.

## Conference Call and Webcast Information

The Company will host a conference call on Tuesday, October 13, 2020, at 4:30 pm, Eastern Daylight Time, to review the clinical, corporate, and financial highlights. To participate in the conference call, please dial the following numbers prior to the start of the call or click the webcast link below to participate over the internet:

Domestic:	877-407-0792
International:	201-689-8263
Conference ID:	13711603
Webcast:	<a href="http://public.viavid.com/index.php?id=141837">http://public.viavid.com/index.php?id=141837</a>

A replay of the call will be available via webcast for on-demand listening shortly after completion of the call on the Investor Relations section of the company's website, <https://www.enzo.com>, and will remain available for approximately 90 days. Please access the Company's website at least 15 minutes ahead of the conference to register, download, and install any necessary audio software.

## Adjusted Financial Measures

To comply with Regulation G promulgated pursuant to the Sarbanes-Oxley Act, Enzo Biochem attached to this news release and will post to the investor relations section of the company's website (<https://www.enzo.com>) any reconciliation of differences between GAAP and Adjusted financial information that may be required in connection with issuing the Company's quarterly financial results.

The Company uses EBITDA as a measure of performance to demonstrate earnings exclusive of interest, taxes, depreciation and amortization. Adjustments to EBITDA are for items of a non-recurring nature and are reconciled on the table provided. The Company manages its business based on its operating cash flows. The Company, in its daily management of its business affairs and analysis of its monthly, quarterly and annual performance, makes its decisions based on cash flows, not on the amortization of assets obtained through historical activities. The Company, in managing its current and future

affairs, cannot affect the amortization of the intangible assets to any material degree, and therefore uses EBITDA as its primary management guide. Since an outside investor may base its evaluation of the Company's performance based on the Company's net loss not its cash flows, there is a limitation to the EBITDA measurement. EBITDA is not, and should not be considered, an alternative to net loss, loss from operations, or any other measure for determining operating performance or liquidity, as determined under accounting principles generally accepted in the United States (GAAP). The most directly comparable GAAP reference in the Company's case is the removal of interest, taxes, depreciation and amortization.

We refer you to the tables attached to this press release, which includes reconciliation tables of GAAP to Adjusted net income (loss) and EBITDA to Adjusted EBITDA.

### **About Enzo Biochem, Inc.**

Enzo Biochem is a pioneer in molecular diagnostics, leading the convergence of clinical laboratories, life sciences and intellectual property through the development of unique diagnostic platform technologies that provide numerous advantages over previous standards. A global company, Enzo Biochem utilizes cross-functional teams to develop and deploy products, systems and services that meet the ever-changing and rapidly growing needs of health care today and into the future. Underpinning Enzo Biochem's products and technologies is a broad and deep intellectual property portfolio, with 475 issued patents worldwide along with extensive enabling technologies and platforms.

### **Forward-Looking Statements**

Except for historical information, the matters discussed in this news release may be considered "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements include declarations regarding the intent, belief or current expectations of the Company and its management, including those related to cash flow, gross margins, revenue, and expenses which are dependent on a number of factors outside of the control of the Company including, inter alia, the markets for the Company's products and services, costs of goods and services, other expenses, government regulations, litigation, and general business conditions. See Risk Factors in the Company's Form 10-K for the fiscal year ended July 31, 2019 and Form 10-Q for the period ended July 31, 2020. Investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties that could materially affect actual results. The Company disclaims any obligations to update any forward-looking statement as a result of developments occurring after the date of this press release.

Contacts:

Enzo Biochem, Inc.

David Bench, CFO  
212-583-0100  
[dbench@enzo.com](mailto:dbench@enzo.com)

Investors:

LifeSci Advisors, LLC  
 Jeremy Feffer  
 212-915-2568  
[jeremy@lifesciadvisors.com](mailto:jeremy@lifesciadvisors.com)

Anreder & Company  
 Steven Anreder  
 212-532-3232  
[Steven.anreder@anreder.com](mailto:Steven.anreder@anreder.com)

Media:  
 Berry & Company Public Relations  
 Marisa Monte  
 212-253-8881  
[mmonte@berrypr.com](mailto:mmonte@berrypr.com)

**ENZO BIOCHEM, INC.**  
 (in thousands, except per share data)

<b><i>Selected operations data:</i></b>	<b>Three months ended July 31</b>		<b>Twelve months ended July 31</b>	
	<b>(unaudited)</b>			
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Total revenues	\$ 19,527	\$ 20,921	\$ 76,021	\$ 81,170
Gross profit	\$ 7,850	\$ 6,346	\$ 23,770	\$ 23,248
Gross profit %	40 %	30 %	31 %	29 %
(Loss) income before income taxes	\$ (3,325 )	\$ (5,387 )	\$ (28,520 )	\$ 2,489
Net (loss) income	\$ (3,325 )	\$ (5,387 )	\$ (28,520 )	\$ 2,489
Basic net (loss) income per share	(\$ 0.07 )	(\$ 0.11 )	(\$ 0.60 )	\$ 0.05
Diluted net (loss) income per share	(\$ 0.07 )	(\$ 0.11 )	(\$ 0.60 )	\$ 0.05
Weighted average shares outstanding - basic	47,892	47,557	47,696	47,351
Weighted average shares outstanding - diluted	47,892	47,557	47,696	47,476
<b><i>Selected balance sheet data:</i></b>			<b>7/31/2020 (unaudited)</b>	<b>7/31/2019 (unaudited)</b>
Cash and cash equivalents including restricted cash of \$750			\$ 48,615	\$ 60,896

Working capital	\$ 35,964 (a)	\$ 65,444
Stockholders' equity	\$ 58,381	\$ 86,028
Total assets	\$ 112,538	\$ 106,640

(a) Includes impact of adoption of ASC 842 leases; the current portion of operating lease liabilities is \$4,121, and Paycheck Protection Program (PPP) loan of \$7,000 included in current liabilities.

The following table presents a reconciliation of reported net (loss) income and basic and diluted net (loss) income per share to non-GAAP net (loss) income and basic and diluted net (loss) income per share for the three and twelve months ended July 31, 2020 and 2019:

**ENZO BIOCHEM, INC.**  
Non-GAAP Reconciliation Table  
(Unaudited, in thousands, except per share data)

	Three months ended		Twelve months ended	
	July 31		July 31	
	2020	2019	2020	2019
Reported GAAP net (loss) income	\$ (3,325 )	\$ (5,387 )	\$ (28,520 )	\$ 2,489
Adjusted for:				
Legal settlements, net	\$ -	\$ -	\$ -	\$ (28,925 )
Contested proxy expenses	\$ -	\$ -	\$ 4,042	\$ -
Separation expenses	\$ -	\$ -	\$ 235	\$ -
Non-GAAP net loss	<u>\$ (3,325 )</u>	<u>\$ (5,387 )</u>	<u>\$ (24,243 )</u>	<u>\$ (26,436 )</u>

*Weighted Shares Outstanding*

Basic	47,892	47,557	47,696	47,351
Diluted	47,892	47,557	47,696	47,476

*Basic and diluted earnings per share - GAAP and non-GAAP*

Basic net (loss) income per share GAAP	(\$ 0.07 )	(\$ 0.11 )	(\$ 0.60 )	\$ 0.05
Diluted net (loss) income per share GAAP	(\$ 0.07 )	(\$ 0.11 )	(\$ 0.60 )	\$ 0.05
Basic and diluted net loss per share non-GAAP	(\$ 0.07 )	(\$ 0.11 )	(\$ 0.51 )	(\$ 0.56 )

The following table presents a reconciliation of reported net (loss) income for the three and twelve months ended July 31, 2020 and 2019, respectively to EBITDA and Adjusted EBITDA:

**ENZO BIOCHEM, INC.**  
EBITDA & Adjusted EBITDA Reconciliation Table  
(Unaudited, in thousands)

	Three months ended		Twelve months ended	
	July 31		July 31	
	2020	2019	2020	2019

GAAP net (loss) income	\$ (3,325 )	\$ (5,387 )	\$ (28,520 )	\$ 2,489
Plus (minus):				
Depreciation and amortization	\$ 629	\$ 664	\$ 2,780	\$ 3,036
Interest, net	\$ 41	\$ (296 )	\$ (454 )	\$ (1,056 )
EBITDA	\$ (2,655 )	\$ (5,019 )	\$ (26,194 )	\$ 4,469
Adjusted for:				
Contested proxy expenses	\$ -	\$ -	\$ 4,042	\$ -
Legal settlements, net	\$ -	\$ -	\$ -	\$ (28,925 )
Separation expenses	\$ -	\$ -	\$ 235	\$ -
Adjusted EBITDA	\$ (2,655 )	\$ (5,019 )	\$ (21,917 )	\$ (24,456 )
<i>Weighted Shares Outstanding</i>				
Basic	47,892	47,557	47,696	47,351
Diluted	47,892	47,557	47,696	47,476
<i>Basic and diluted earnings per share - GAAP and Adjusted EBITDA</i>				
Basic net (loss) income per share GAAP	(\$ 0.07 )	(\$ 0.11 )	(\$ 0.60 )	\$ 0.05
Diluted net (loss) income per share GAAP	(\$ 0.07 )	(\$ 0.11 )	(\$ 0.60 )	\$ 0.05
Basic and diluted net loss per share Adjusted EBITDA	(\$ 0.06 )	(\$ 0.11 )	(\$ 0.46 )	(\$ 0.52 )



Source: Enzo Biochem, Inc.