VIAVID
communications simplified.

Cryoport, Inc.

Second Quarter 2019 Earnings Call

August 08, 2019

CORPORATE PARTICIPANTS

Todd Fromer, *KCSA*

Jerrell Shelton, *Chairman, President & Chief Executive Officer*

Mark Sawicki, *Chief Commercial Officer*

Robert Stefanovich, *Chief Financial Officer, Treasurer & Corporate Secretary*

CONFERENCE CALL PARTICIPANTS

Puneet Souda, *SVB Leerink*

Andrew D'Silva, *B. Riley FBR, Inc.*

Brandon Couillard, *Jefferies*

Paul Knight, *Janney Montgomery Scott*

Stephen Unger, *Needham & Company*

Richard Baldry, *Roth Capital Partners*

PRESENTATION

Operator:

Welcome to the Cryoport Incorporated Second Quarter 2019 Earnings Call. As a reminder all participants are in a listen only mode and the conference is been recorded. After the presentation, there will be an opportunity to ask questions. To join the question queue, you may press star, then one on your telephone keypad. Should you need assistance during the conference call, you may signal an Operator by pressing star and zero.

I would now like to turn the conference over to Mr. Todd Fromer, Managing Partner at KCSA. Please go ahead, sir.

Todd Fromer:

Thank you, Operator. Before we begin today, I would like to remind everyone that this conference call contains certain forward-looking statements. All statements that address our operating performance, events or developments that we expect or anticipate occurring in the future are few forward-looking statements. These forward-looking statements are based on Management's beliefs and assumptions and not on information currently available to our Management team. Our Management team believes these forward-looking statements are reasonable as and when made. However, you should not place undue

reliance on any such forward-looking statements because such statements speak only as of the date when made.

We do not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. In addition, forward-looking statements are subject to certain risks and uncertainties that could cause actual results, events and developments to differ materially from our historical experiences and our present expectations or projections. These risks and uncertainties include, but are not limited to, those described in Item 1A Risk Factors and elsewhere in our annual report on Form 10-K filed with the Securities and Exchange Commission, and those described from time to time in other reports, which we filed with the Securities and Exchange Commission.

I would like to now turn the call over to Mr. Jerry Shelton, Chief Executive Officer of Cryoport. Jerry, the floor is yours.

Jerrell Shelton:

Good afternoon, ladies and gentlemen. Thank you for joining us today. With me this afternoon is our Chief Financial Officer, Mr. Robert Stefanovich, and our Chief Commercial Officer, Dr. Mark Sawicki.

As a reminder, as of the year-end 2018, we changed the format of these earnings calls. Instead of delivering prepared remarks, we have uploaded our second quarter 2019 in review document to our website. It can be found in the Investor Relations section under Events and Presentations. This document provides a review of our recent financial and operational performance and a general business outlook. If you had not had a chance to read it, I would encourage you to go to the website and download it.

On this conference call, I will provide you with a brief general update, and then we'll move to the question-and-answer session, where we will address the queries from the shareholders and analysts regarding our Company's results.

In the second quarter of 2019, our revenue increased 83% to $8.5 million as compared with the same period of 2018. This strong performance was partially driven by our commercial agreements with supporting Gilead's YESCARTA and Novartis' KYMRIAH, which contributed $1.9 million in the second quarter of 2019, as volumes ramp to support their ongoing commercial rollouts. This represents a 320% increase compared to the same quarter last year and a sequential increase of 34% over the $1.4 million of commercial revenue reported in the first quarter of 2019. We are pleased with this continued ramp and expect revenue from additionally commercially approved products to drive momentum and revenue growth for Cryoport as the regenerative medicine market continues to develop globally.

The regenerative medicine industry is reaching an inflection point with several biopharma companies reporting positive clinical results and moving toward BLA and MAA submissions. A milestone this quarter was the EU's Conditional Marketing Authorization for bluebird's gene therapy ZYNTEGLO. As a result of this approval, we are proud to now be supporting three commercially-approved products. Shipment volumes of ZYNTEGLO are expected to begin in 2020, with this commercial launch driving additional revenue to Cryoport.

During the quarter, we also continued to add the number of clinical trial therapies we support. A net addition of 30 new clinical trials were added during the second quarter bringing the total number of clinical trials we now support to a record 413, which includes 52 in Phase III.

Our expansion strategy includes securing valuable partners that expand our temperature control solutions within the regenerative medicine ecosystem. To advance this strategy in the second quarter, we entered the bio storage market through the acquisition of Cryogene, a Houston-based Company that operates a 21,000 square foot state-of-the-art bio storage facility. This acquisition was immediately accretive,

contributing approximately $577,000 to Cryoport's revenue in the second quarter. We expect Cryogene's contribution to continue to grow as it continues to add services for its existing clients and onboard the new clients.

Our temperature control logistic solutions have set us apart in a highly fragmented industry and continue to drive Cryoport's revenue growth. Our entrance into the BioStorage is complementary and strategic. As demonstrated by our Cryogene acquisition, we will continue to identify opportunities that strengthen and expand our capabilities through acquisitions as we scale our business organically.

As a result of our successful $69 million raise in the secondary offering in June of this year, we have a strong balance sheet, which will allow us to execute on this strategy. Our balance sheet now provides us with the financial platform to continue our global infrastructure build-out and facilities expansion, as well as to complete acquisitions and other strategic initiatives to further entrench Cryoport in the Life Sciences ecosystem.

Now before closing, I would like to touch on yesterday's announcement from CMS regarding reimbursement. The good news is that Medicare will begin covering the growing collection of immunotherapy drugs for cancer patients being treated in certain qualified health care facilities. Yesterday's decision makes it clear that Medicare will cover the administration of CAR-T and its related services. Private payers are also taking steps to determine how to pay for these groundbreaking new therapies because they realize that these therapies are working and more will be commercializing in the very near future.

With that, I will now turn the call over to the Operator to open the telephone lines for questions and answers.

Operator:

Certainly sir. We will now begin the question-and-answer session. To join the question queue, you may press star, then one on your telephone keypad. You will hear a tone acknowledging your request. If you are using a speaker phone please pick up your handset before pressing any keys. To withdraw your question please press star, then two. We will pause for a moment for callers join the queue.

The first question comes from Puneet Souda of SVB Leerink. Please go ahead.

Puneet Souda:

Hi guys. Thanks, Jerry. If I could first touch on the commercial therapies progress you're making here. I wanted to get a sense of the capacity insights in Europe as ZYNTEGLO comes onboard. And even more importantly, in 2020, as new therapies are going to reach the approval line. And wanted to get a sense of—in terms of the countries where sites are and with Amsterdam and expansion from there and potentially you'll be experiencing some new shipping lanes as you ship out increasingly more therapies to increasingly more countries. So, I wanted to get a sense of your capacity and position?

Jerrell Shelton:

That's a good question, Puneet. And I'm going to turn that to Mark Sawicki, who is closer to the situation than I am.

Mark Sawicki:

Yes. Thanks, Puneet. So obviously, we opened a new facility in Amsterdam last—late last year. That facility itself has been designed to support the expansion of both clinical and commercial demands within Europe in the foreseeable future. It's modular in nature. It has scalability, but it doesn't mean that we're

not also looking at additional options from an expansion standpoint, based on client demands and other demographic considerations. But, the current facility itself will be able to handle significant ramp of both clinical and commercial volumes in Europe at this point in time.

Puneet Souda:

Okay, great. And on the CAR-T reimbursement decision memo that came in yesterday, I wanted to get a sense of as you had conversations with your biopharma partners, and I know this is just came through recently, but what's your sense on coverage without evidence development being positive here and potentially, what does it mean? And have you had conversations so far? Any concrete—anything quantitatively that you can provide us here as to the level of benefit that you're potentially hearing about would be helpful.

Jerrell Shelton:

Yes, Puneet, I'll start to answer that question, and then I'll turn it to Dr. Sawicki. But reimbursement has been an ongoing discussion in regenerative medicine since it took off—since it's beginning. And, this is really good news. The CMS news is good news. We've certainly have had conversations with not only our clients, but we've had conversations with providers as well of the services. And of course, here to for, if therapies were offered and not paid for, those providers were stuck with the bill. And so this gives a great relief. It's a very positive move forward. And we think it's good for regenerative medicine, and we'll continue to help propel those rollouts. And I'll turn it to Dr. Sawicki for further comment.

Mark Sawicki:

Yes. The only thing I would add, Jerry, I think that's a good overview in general. But, one of the things that we view, and obviously, this notice is that it's an affirmation of the acceptance of the science itself within the space, right? And so, this is obviously a relatively new space from a commercial standpoint, and the fact that we're seeing regulatory and other governmental bodies now approving reimbursement affirms the strength of the science of the space.

Puneet Souda:

Okay. That's great. And if I could ask, Jerry, about Cryogene. I know you had sites set on expanding into adjacent areas. And this is great to see Cryogene as an addition here. So, could you elaborate a bit on your broader thinking and strategy in terms of some of the things you can leverage immediately? Why Cryogene? And what comes to longer-term? And help us just understand—and also understand the sense of appetite you have at this point for further such expansions into adjacent areas or similar acquisitions?

Jerrell Shelton:

Thank you, Puneet. Well, our appetite for acquisitions is the same as it was before. I mean, Cryogene is a quality Company and it was immediately accretive. The Management team has a sound strategy and has a great reputation. So, it's hit all of our criteria. And it was in an adjacency that in biostorage that we naturally need to be in. Over the longer term, you'll see us building out our Bioservices operations. Some of that will happen through acquisition, but other parts of it will happen to organic growth and to our building it out. We will build out—that will move us closer to being a supply chain Company supporting the life sciences. We'll build out the network of those supply chain centers around the world and in support of the industry.

Puneet Souda:

Right. Great. Thanks guys.

Jerrell Shelton:

Thank you, Punit.

Operator:

The next question comes from Andrew D'Silva of B. Riley FBR. Please go ahead.

Andrew D'Silva:

Good afternoon. Thanks for taking my questions. Sorry, if you highlighted any of this. I was moving between a couple of other calls. So if you did, just let me know. I did hear you talk about the CMS cell therapy announcement. And I was just wondering, as far as it relates to chain of custody, condition and compliance, if there's anything that we can take away from that because they're putting this under the REMS requirement. And so there potentially could be some interesting ways, at least I would imagine, that, that could integrate in (technical difficulty).

Operator:

This is the speaker. Please stand-by as we have the speakers dial in. Ladies and gentlemen, please stand by as we have the speakers dial back in.

Todd Fromer:

Everybody still there?

Operator:

You're live, sir. Please go ahead.

Jerrell Shelton:

Yes. Sorry, are you still there?

Andrew D'Silva:

Yes. Yes, I didn't mean to scare you guys away.

Jerrell Shelton:

So, I think what happened, Andy, this is just an analysis, but I think what happened is the anticipation of the poignancy of your question just shut the system down.

Andrew D'Silva:

Yes, temporarily. All right. Well, that's something. All right. So I just kind of recap the question. Basically, it was asking about the CMS announcement. I heard what you said on the last question. But as it relates to the REMS requirements, the risk evaluation and mitigation strategies. I was just curious if chain of custody, condition and compliance had any way to be integrated into that as it's kind of unique to be implemented with the cell therapy.

Jerrell Shelton:

Our chain of compliance, which includes chain of custody and chain of condition and chain of traceability, all of that is implicit in what we do. I mean, that's one of the things that distinguishes Cryoport from all other providers of logistics services to the life sciences. And so, it's an integral part. It doesn't have any new part. It has a current, existing and continuing role. It assures that efficacy is being delivered and that safety is being observed.

Andrew D'Silva:

Right. No. So, in the guidance or CMS' announcement that they had things called out about REMS, which is usually the risk evaluation and mitigation strategies, protocol for certain kinds of drugs and biologics. But since yours is dealing with cell therapies, I was kind of curious if it could tie into maybe expediting regulatory aspects related to the chain of compliance.

Jerrell Shelton:

I'll turn that to Mark for an answer.

Mark Sawicki:

Yes. I think the key element here isn't whether or not it expedites, right? I think it comes back to what the overall industry is looking at from a regulatory perspective. And so, there's a number of very active bodies out there right now. There's one called the Foundation for Accreditation of Cell Therapy. There's another one that's affiliated with the Alliance of Regenerative Medicine called the Standards Coordinating Body, and these guys are driving regulatory recommendations around chain of compliance and other things into the space, which may have an indirect impact on what you're talking about. But there isn't any final decision yet that's been made or posted. Most of that stuffs in draft or iteration phase with the anticipated implementation dates of 2020 and 2021.

Andrew D'Silva:

Okay. Okay, great. And then just last question for me, just as it relates to Cryogen. Could you maybe give us a little bit of insight into what capacity looks like right now? And what an appropriate utilization rate is for Cryogene. And like the final part of that question is just, how do you deploy the cash you just raised to expand efficiencies between logistics and biostorage? Thank you very much.

Jerrell Shelton:

They're really two questions there. And so the first question is Cryogene is very healthy. And not only did it have the attributes that I referred to earlier, but Cryogene has the ability, the capacity to triple its size right now through a little bit of engineering and which is already in play right now. So Cryogene is in a very sound position and a sound position for growth for the next few years. It's an excellent Company.

The—in terms of the way we deploy capital, that depends on—if you're asking about acquisitions, that depends on the appropriate acquisition coming along in the space that we're interested in. There has to be a buyer and a seller. So we can't just—it's not like going to the candy store. So we—that will depend. And—but we'll be looking to expand our storage and capability, of course, but we're always client driven in terms of the services and the aspects that we need to add to our business.

The other part of that capital that you asked about is for financing growth and is for building out our infrastructure internally. As I mentioned several times, we'll be building on our biostorage operations because there are not a lot of good biostorage operations to buy. Therefore, we'll be building out that system around the world with our logistics centers, which will then turn that more toward a supply chain center network supporting life sciences.

Andrew D'Silva:

Okay. Perfect. Thank you for the color. That was very useful and best of luck going forward in the second half of the year.

Jerrell Shelton:

Thanks, Andrew.

Operator:

The next question comes from Brandon Couillard of Jefferies. Please go ahead, sir.

Brandon Couillard:

Thanks. Good afternoon.

Jerrell Shelton:

Good afternoon.

Brandon Couillard:

Jerry, if I look at the 30 trials you added in the period and compare that relative to the arm data, which looks like only increased about nine trials sequentially relative to the 30 that you added. Two are pretty strong outperformance. Are you gaining share somewhere perhaps? Can you just help us reconcile those two numbers?

Jerrell Shelton:

We are, and I'm going to turn that to Mark Sawicki to answer in detail.

Mark Sawicki:

Yes. So we are definitely gaining share, and we're doing this in two ways. First of all, we are already embedded in a significant proportion of relationships that are continuing to expand the clinical trial footprint. So, we're able to maintain, based on the stickiness of the relationship, the ability to pull those trials under our own umbrella, so to speak. And we have a very aggressive sales team that's working globally, and you could see we have a significant focus in Europe and APAC in procuring and pulling as much share as possible in the door as early as possible to continue to build that share based on a reputation and the strength of the technology platform that we have.

Brandon Couillard:

Jerry, you touched on the status update for the new spherical shipper that won't tip over that you've been working on. Is more testing needed? And are you ready to perhaps launch that sometime soon? And is that the type of ambition, which...

Jerrell Shelton:

Yes. No. No. We're not ready to launch it soon. We—that was a prototype that was introduced at the London Advanced Therapies conference in it, and it is in the works right now. We don't—we don't release anything prematurely, and so we will perfect that. And we're—we filed some patents, and we'll be filing more patents as surrounding that development. That's a revolutionary product. That will absolutely

change the industry, and it will not be (inaudible) anybody in the near-term for sure. So it's a whole different technology. And it's quite exciting and everyone that has seen it in the industry has been terribly excited about it. The reception was overwhelmingly positive. So—but it's in development now, and we will announce more as it's appropriate.

Brandon Couillard:

Well, could you help us maybe understand what some of the things are you want to make sure you've got right about the product before you commercialize it? And is that the type of innovation for which you think you can capture a premium?

Jerrell Shelton:

Well, certainly, it's worth a premium. But it's the concept that's revolutionary, and we're in the engineering phase now. So, what we're doing is engineering the product to be—to be worthy of the—supporting the cell and gene therapy markets. So—and Mark, do you have some other comments?

Mark Sawicki:

Yes. So one of the key things about this piece of technology that you have to keep in mind is our entire focus is around managing risk in the field. And so, risk management in the field comes down to enhancing technology, but it also comes down to minimizing the impact of third parties that you have no control over in their handling of that given piece of product itself. And so we have to be absolutely sure that the product itself, while we've demonstrated the feasibility, is robust enough to support that type of third-party influence on the product itself. And that's what the testing occurs. And it's a very, very, very rigorous process.

Brandon Couillard:

Great. And then just one housekeeping item, saw you broke out Asia Pac trials for the first time this period. Could you help us with what that number of trials was in the first quarter? And, was that recorded within the Americas segment?

Jerrell Shelton:

Yes. I think in the first quarter, it was one trial that we—and I think we broke that out in the report, but it was one. Asia Pac though is—will grow for us. I mean, Asia Pac's an exciting area, and we're excited about our presence there.

Brandon Couillard:

Okay. Thank you.

Jerrell Shelton:

Thanks.

Operator:

The next question comes from Paul Knight of Janney. Please go ahead, sir.

Paul Knight:

Hey, Jerry how are you? My question is, is Marken and others, what do you think their barriers to entry are regarding them adding their own shipping technology? Or are you already locked in with the leaders like Marken and others.

Jerrell Shelton:

Well, Marken is a customer and we have a relationship. They've been in our shop several times to audit us for different customers that they service. We are their solution, by and large. Same thing for World Courier, same thing for Quick. We're the—what we have, Paul, is so different than what anyone else has in the market. It's really a system, and that system is very complex, very involved. And as Mark said earlier, and in answer to an earlier question, it's all about derisking the process, and providing the information that proves that we've derisked the process. So Mark, do you have other things to add to that?

Mark Sawicki:

Yes. So the primary difference and the challenge that folks like World and Marken and QuickStat have had in employing a competing technology is the fact that their infrastructure is built for a multipurpose support. So, they'll support biotech. They'll support the automotive industry. They'll support aeronautics. They'll support electronics, the consumer, and so they have to be broad in how they approach and manage their packaging configurations, their distribution. We're entirely focused on that biotech and health care space. Our systems are designed in support of the regulatory componentry that that space expects to see. That has traditionally been something that has not been in the transportation space, but is moving in that direction because of the limited flexibility that these particular therapies have for mishandling, right? And so, if you distribute a small molecule, for example, if there's a mishandling event that occurs, that causes a significant temperature deviation, it doesn't destroy the product in most cases. But in these situations, if you have something like that occur, the product's destroyed and the patient is obviously severely compromised or passes away. And so, we're applying those compliance standards that you'd see in a GMP manufacturing environment. Their infrastructure isn't built that way. That's the biggest difference.

Paul Knight:

And continuing on that line of questioning, Mark, how much of the samples being shipped right now need to be shipped at cryogenic temperatures versus dry ice. Is dry ice 90% of the answer? Is dry ice only United States? Can you talk about what are the barriers to entry on the cryogenic shipping, which is I know your strength?

Mark Sawicki:

So, when you take a look at the industry as a whole, there's a very easy rule of thumb. If it's a live organism, i.e., a cell-based material that has to be reconstituted in a living format, that particular treatment itself really needs to be shipped cryogenically. Any other temperature range will impact the efficacy of that particular product itself in the field. And that's why you see the vast majority of CAR-T's and cell therapies being shipped cryogenically. If it's a gene therapy, gene therapies themselves have more flexibility. They can be shipped cryogenically, and many of them are. Others are shipped on dry ice. It depends on the nature of that protocol and how they develop their stability protocols in support of that given product.

Paul Knight:

And then lastly, Jerry, we have heard from other folks in the industry that big pharma is trying to do a lot more in the cell and gene therapy space. What's—is your level of incoming inquiry from big pharma as

they move into the space different? Can you talk about the big pharma change and big biotech change into cell and gene therapy? I mean, you obviously, have growth when this happen it's good.

Jerrell Shelton:

Yes. This isn't anticipated, Paul. I mean, it's a normal route for big pharma they're getting into most things is to let it be developed and then to acquire it and then to move them into the area. And that's what they're doing here. They're taking the same pathway. In terms of requirements, there are no notable differences in big pharma and the rest of the Life Sciences industry. It's more regimented and takes a little bit longer to get things through. There may be a few more controls in one place or another, simply because they're larger, and it carries over from some of the other activities. But basically, it's the same.

Paul Knight:

Okay. Thank you.

Operator:

The next question comes from Steve Unger of Needham. Please go ahead.

Stephen Unger:

Thanks. Hi, guys. Clearly, positive development yesterday with the CMS providing national coverage now for the CAR-Ts. And I was wondering if you could perhaps provide some color on how limited the local coverage was for KYMRIAH and YESCARTA. And perhaps then any color you can provide on expected commercial coverage for these therapies in the U.S.?

Jerrell Shelton:

Steve, that's a very difficult question for us to answer. We're not the manufacturers. We simply support the manufacturers. So, we can't tell you of any limitations nor have we observed any limitations. What we think this CMS announcement will do is we'll make therapies available to a much broader population, and thereby, drive volume. So, it's a very positive aspect.

Mark Sawicki:

Yes. Whether it's a clinical program or a commercial program, obviously, we're really focused on supporting both demographics. So, the ratio of which doesn't impact us.

Stephen Unger:

Got it. Okay. And then in your prepared remarks or in the remarks posted on the website, you mentioned that there were three BLAs or BLAs and MMAs in the first half of '19 that were Cryoport supported customers. And, I was wondering if you could just provide some color on the split, autologous versus allogeneic. I know you don't give out customer names and such, but wondering about the split, and then also for the two additional BLAs and MAAs for second half of the...

Jerrell Shelton:

Do you mean the split of trials that we cover? Is that what you're talking about, Steve?

Stephen Unger:

No, just on the three specific BLAs or MAAs of Cryoport customers that were filed in the first half of '19, which ones were—how many were autologous therapies or allogeneic?

Mark Sawicki:

Two autologous. One allogeneic.

Stephen Unger:

Okay. And then on the second, the two additionals that you're expecting in the second half?

Mark Sawicki:

So, the two additionals themselves would both be autologous.

Stephen Unger:

Got it. Okay. And then on ZYNTEGLO, some of the analysts that cover bluebird have revenues for ZYNTEGLO in the third and fourth quarter a little bit. And, I was just wondering if you guys are being conservative or if you know something that they don't know.

Jerrell Shelton:

No. We don't know anything they don't know.

Mark Sawicki:

Yes. I mean, we're already supporting the relationship. So, if there's nominal commercial revenue, it would have a slight impact, but it's nothing that is material.

Stephen Unger:

Got it. Okay. So there may be some, but not material. And then finally, congratulations on being EBITDA-positive in the quarter. And I was wondering if you were also cash flow positive? And, what your outlook is for the back half of the year? Is that something you expect to be sustainable?

Jerrell Shelton:

I'll turn—Yes. We'll turn that to Robert Stefanovich, our CFO.

Robert Stefanovich:

Yes. No. You're absolutely right. We had significant improvement in Adjusted EBITDA. And that's one of the key metrics to us. Where we're getting close to being cash flow positive, and we're going to continue to drive towards building out the Adjusted EBITDA and operational metrics. Having said that, at the same time, you heard from Jerry earlier, we are going to continue to build out infrastructure. We're going to continue to build out the Bioservices capabilities. So, there will be some additional investment and expenditures that you'll see over the next, yes, 12 to 24 months, but certainly, we look at revenue, Adjusted EBITDA as two of our key metrics.

Stephen Unger:

Got it. Okay. Congratulations. Thanks.

Jerrell Shelton:

Thanks.

Operator:

The next question comes from Richard Baldry of Roth Capital. Please go ahead.

Richard Baldry:

Thanks. I'm sort of curious. When something moves into the commercial side, do you have visibility on individual shipments, whether they're for commercial purposes, or a lot of them are continuing to do or ramping new trials for new clinical trials looking for new indications? Do you have visibility into the difference there? And the reason I ask is because your commercial revenues tend to continue to grow a bit faster than the revenue growth of the approved therapies that we've seen. Thanks.

Jerrell Shelton:

Mark's going to answer that in more detail, Rich. But we have forecast from the manufacturers, and we certainly know when we're supporting commercial and when we're supporting trials. And, we have a very positive outlook on both of those things. But Mark, do you want to go into more detail?

Mark Sawicki:

Jerry, you're absolutely right. I mean, our account structures are set up internally where they differentiate between clinical and commercial. It's a very simple, straightforward answer.

Richard Baldry:

Okay. And then, I guess, now that you're supporting more trials in the Asia Pac, and it looks like there's some traction building there, any thoughts on incremental facilities needed either to support those types of international growth or even domestically as the traction gains in approved therapy.

Jerrell Shelton:

Yes. Absolutely, Rich. The Asia Pac is the more complicated of the three regions of the world. We service EMEA, Americas and Asia Pac. And Asia Pac is a more complex strategy, and we're currently exploring our alternatives in Asia Pac. And so, as you know, KYMRIAH was just approved in Japan. We met with the Novartis folks in Japan. The other thing that we've learned is that there are a lot more trials in Asia in general, and particularly in Japan and then in China than the rest of the world knows about. And we don't have clear definition on that yet, but we're working on getting that definition. So we're quite bullish on Asia Pac.

Richard Baldry:

And, I guess, very simple question, but the acquisition of Cryogene, looks like it closed around midway through the quarter. So is it pretty straightforward to say the revenue contribution would double up in the third quarter versus Q2? Or, are there any seasonal things we need to keep in mind as we're building models.

Robert Stefanovich:

No, if you look at even the 8-K that we filed, unrelated to Cryogene, their past performance, you can see a continuous increase in revenue as a steady increase in revenues. This is not subject to seasonality.

The acquisition was completed May 14. So, we have revenue for that period through 6/30. So yes, you can make that assumption.

Richard Baldry:

Great. Thanks. Congrats on a great quarter.

Jerrell Shelton:

Thank you.

Operator:

This concludes the question-and-answer session. I would now like to turn the conference back over to Mr. Jerry Shelton for any closing remarks.

Jerrell Shelton:

Yes, just one second. My computer went down. So, just one minute and I'll be right back to you. It's like this telephone call going down. Okay. So thank you very much. Thank you very much, folks, for joining us this afternoon to—on our earnings call. We appreciate the opportunity to have a dialogue with our loyal shareholders and our analysts.

And in closing, we're pleased with the accomplishments of the second quarter 2019 and the position that we're occupying today. There continues to be significant upside opportunity in the biopharma market as the demand for increasingly sophisticated and diverse supply chain solutions to support the development of next-generation regenerative medicine continues to grow. We think Cryoport is uniquely positioned, and we work hard every day to improve that positioning to meet the global demands of our life sciences clients in biopharma, animal health and reproductive medicine. And we're making significant headway in a lasting and meaningful way in all these markets.

The supply chain solutions we offer are vital in bringing biologics, regenerative medicine, vaccines, tissue, IVF technology and advanced therapies to market. We remain committed to making the most of the opportunities ahead of us and maximizing value for our long-term shareholders.

So until our next call, I bid you a good evening.

Operator:

This concludes today's conference call. You may disconnect your lines. Thank you for participating and have a pleasant day.