



Cryoport, Inc.

Second Quarter 2021 Earnings Conference Call

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CORPORATE PARTICIPANTS

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CONFERENCE CALL PARTICIPANTS

Matt for Brandon Couillard, *Jefferies*

Andrew D'Silva, *B. Riley Securities*

Joseph for David Saxon, *Needham*

David Larsen, *BTIG*

Jacob Johnson, *Stephens, Inc.*

Paul Knight, *KeyBanc*

Richard Baldry, *Roth Capital Partners*

PRESENTATION

Operator

Good day everyone and welcome to the Cryoport Incorporated Second Quarter 2021 Earnings Call. Today's conference is being recorded.

At this time I would like to turn the conference over to Mr. Todd Fromer. 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 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 that 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 or 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 experience 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 file with the Securities and Exchange Commission.

It is now my pleasure to turn the call over to Mr. Jerrell Shelton, Chief Executive Officer of Cryoport. Jerry, the floor is yours.

Jerrell (Jerry) Shelton

Thank you, Todd. Good afternoon, ladies and gentlemen. We appreciate you joining our earnings call today.

With me this afternoon is our Chief Financial Officer Mr. Robert Stefanovich, our Chief Scientific Officer Dr. Mark Sawicki, and our VP of Corporate Development and Investor Relations Thomas Heinzen.

As a reminder, we have uploaded our second quarter 2021 and review document to our website. It can be found under Investor Relations in the Events and Presentation section. This document provides a review of our recent financial and operational performance and a general business outlook. If you have not had a chance to read it, I would encourage you to go to the website and download it.

Now for a brief update, followed by your questions regarding our second quarter results.

I'm happy to report that the second quarter of 2021 was another record quarter for Cryoport. Our performance in the second quarter follows on the heels of our record performance in the first quarter and was driven by strong results across all business units, reflecting the continued successful execution of our strategy.

We achieved growth in the number of clinical trials supported, grew revenue from commercial agreements, continued outstanding growth in our legacy businesses Cryoport Systems and Cryogene, continued to scale MVE Biological Solutions and CRYOPDP, and closed on two international acquisitions to further expand our geographic footprint in key locations.

As we continue to build our leadership position with market leading temperature-controlled supply chain solutions for the life sciences industry, we achieved a 55% organic growth rate year-over-year. We also benefited from significant contributions from our recent acquisitions of MVE Biological Solutions and CRYOPDP. And most importantly, we delivered robust growth in all markets we serve, which are biopharma, animal health and reproductive medicine.

We are particularly pleased with the growth we see in cell and gene therapy where we are now supporting 561 regenerative medicine clinical trials. This represents an advancement of 14% from the same period in the prior year.

Our pipeline of potential commercial customers is currently the largest in our history.

We also are supporting eight commercial therapies in regenerative medicine including Skysona, a one-time gene therapy for the treatment of early cerebral adrenoleukodystrophy by Bluebird Bio which was granted market authorization by the European Commission on July 21, 2021.

On the financial front, total revenue in the second quarter of 2021 was \$56.2 million, up from \$9.4 million in the same period of the prior year, representing an increase of 498%. Our biopharma pharma business accounted for approximately 81% of our total revenue in the period and remained strong. This was a revenue increase of 431% over the second quarter of 2020. For comparison purposes, our organic growth rate in this market was an impressive 51%.

Revenue from our eight commercial agreements increased 26% year-over-year. Looking ahead, we expect revenue to continue to accelerate in the back half of the year as commercial therapies continue to ramp on a global basis.

In recent months there have been significant milestones accomplished in the regenerative medicine market around the world. Expanding globally is an important initiative for us as we are experiencing increasing demand for our solutions in the regenerative medicine market.

To that end, we recently acquired Critical Transport Solutions Australia, or CTSA, a market leader focused on premium healthcare logistics management services specializing in time and temperature critical solutions for the medical and biopharma markets, headquartered in Sydney, Australia. We also acquired Fairgate, a provider of innovative temperature control supply chain solutions headquartered in Brussels, Belgium, which supports our expansion of presence in the EMEA region.

These additions to Cryoport are in strategic locations where hundreds of cell and gene therapy trials are underway, as well as an increasing number of commercial approvals such as the marketing approval of Kymriah in Australia in February 2021.

In the second quarter we also launched our new Cryoport Systems CRYOPDP Global Logistics Center in Osaka, Japan, which we set up to support commercial launch activities and client needs that we believe will further accelerate growth in APAC. Our pledge of generating \$100 million of revenue and cost synergies between CRYOPDP and Cryoport Systems is underway and proceeding on schedule.

In summary, we are pleased with our quarterly results, the initiatives that are underway and the progress we are making. We now have 33 facilities in 16 countries covering key biopharmaceutical clusters in the Americas, EMEA and Asia Pac. Consequently, we are very well positioned to continue to execute on our growth plans. We are especially proud of our people. Our dedicated global teams are driven by passion for the markets we serve and the contributions we make to the support and the advancement of the life sciences industry.

Ladies and gentlemen, that concludes my prepared remarks. Operator, please open the lines for questions.

Operator

Thank you. If you would like to ask a question, please signal by pressing star, one on your telephone keypad. If you are using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, press star, one to ask a question. We'll pause for just a moment to allow everyone an opportunity to signal.

Our first question will come from Brandon Couillard with Jefferies.

Matt for Brandon Couillard

Hey guys, it's Matt on for Brandon. Thanks for taking the question.

Just to start off, you spiked out a number of CRO and CDMO partners and that's been a space you guys have been increasingly focused on. Can you just talk a little bit more about the evolution of those relationships, what benefits Cryoport gets as well as the partners? And then maybe the most traction you're seeing at those guys within the broader Cryoport portfolio?

Jerrell (Jerry) Shelton

Matt, that's a good question and I'm going to turn it to Mark.

Mark Sawicki

Matt, thanks for the question. We appreciate it.

Obviously, our strategy around CDMO and CRO engagement isn't new. We initiated that strategy which was first announced with our relationship with Lanza (phon) a couple of years ago. The benefits to the CRO and CDMO industry really tie into providing their client base with a better risk mitigated platform for distribution of the products and the clinical programs that these guys support. They view this as an extension of their quality platform and it allows them to really eliminate a risk-related element associated with product distribution or clinical trial support. We see these things continue to mature. In fact, we see nice growth in this space, specifically around the strategic initiative and we think that will continue.

Matt for Brandon Couillard

Thanks. That's helpful. Then one on PDP; another nice quarter of growth here. I think you guys also noted something like 75% increase just in terms of the volume of quotations year-on-year. Any color you can provide just on what's driving that increase? Is it existing customers looking for PDP services? New customers to the Cryoport platform? Just any additional color there that you guys can share. Thanks.

Jerrell (Jerry) Shelton

Matt, in a word it's focus. I mean, remember, these companies, CRYOPDP was a part of Air Liquide earlier, a large company, a very small fish in a big bowl. So focus is the primary thing.

The management team is outstanding and they are focused on cell and gene therapy. Certainly they are getting some of the benefits by being a Cryoport company at this point, but those are the drivers.

Robert Stefanovich

Jerry, the other thing I want to add is we are seeing an impact on the synergy related activities between Cryoport Systems and CRYOPDP, which is driving some of that contribution as well.

Matt for Brandon Couillard

Great, and then last one. Just on the MVE facility, I think you said you were going to add a second shift to your—any color on when that will be fully up and running? Then can we think about that as essentially doubling the capacity there?

Then for Robert, anything to spike out in terms of additional or stepped up costs related to adding that second shift there at the facility? Thanks guys.

Jerrell (Jerry) Shelton

Matt, we have three factories within the MVE location: Cheng-du, China, New Prague, Minnesota, and Ball Ground, Georgia. The second shift that you referred to is being added in Ball Ground, Georgia where we manufacture the larger freezers, the stainless steel freezers.

It takes a couple of months to recruit the appropriate people and then to train them on the MVE methods, and so I would expect a couple of months. Then you would expect the efficiency to continue to improve after that.

It won't quite double the capacity but it will substantially increase the capacity and thereby we will reduce our lead times, which is what we have the objective of doing.

Robert Stefanovich

This is Robert. There's really nothing to add to it. There's nothing unusual in terms of adding the capability or capacity to MVE. Certainly we're making an upgrade in all parts of our organization just related to the expected growth and demand in all our solutions, but there's really nothing unusual or extraordinary to point out there.

Matt for Brandon Couillard

Super, thanks. I'll leave it there. Thanks.

Operator

Our next question will come from Andrew D'Silva with B. Riley Securities.

Andrew D'Silva

Good afternoon, guys. Congrats on the progress and sorry if I missed any of this. I'm still reviewing your Year In Review doc and was on another call, too, so I had to hop in (inaudible).

As far as the two acquisitions go, was there a price that was set there that you can share? Then I was also curious, as you start to integrate in some of these tuck-ins, do you expect that you will be able to grow the business effectively with the current infrastructure in place, or do you continue to expect to have to add additional tuck-ins?

Jerrell (Jerry) Shelton

Andrew, at some point growth certainly requires additional infrastructure and people, investment, financing of accounts receivable, working capital, etc., so those are normal things, but the leadership team and the fundamental team, they're fantastic. Both of those teams are just fantastic teams. They're getting accustomed to the Cryoport way of doing business and to being focused on a particular area—

that is cell and gene therapy—in addition to the other markets that we serve in the life sciences. It's going very well and I don't anticipate anything other than the demands that come with growth.

Robert Stefanovich

Maybe just to add to it, in terms of the acquisition of CTSA and Fairgate in Belgium, both—and I think Jerry referred to it previously as tactical acquisitions with a strategic impact. It's really the capabilities, the global footprint that is key. They are both accretive. In terms of the purchase considerations, it's a combination of upfront and earnout. We're talking combined in the \$7 million range, so revenue is obviously below that, but it's accretive both from an EBITDA perspective as well as from a revenue perspective.

Andrew D'Silva

Okay. Perfect. Thank you very much for that.

Then as far as the clinical trials that you're involved in, I noticed since the pandemic really started Phase 1 trials, the growth there kind of slowed down a little bit but it seems to have accelerated once again in the second quarter. I was curious if that was directly related to COVID-19 dynamics improving or if there was anything else going on that we should be thinking about.

Jerrell (Jerry) Shelton

Mark, do you want to take that?

Mark Sawicki

There's nothing that's influencing the shift in numbers between a Phase 1 and a Phase 2; it's strictly just the nature of the programs that are being brought into our portfolio. I don't think there's a COVID related impact on that, to be honest.

Jerrell (Jerry) Shelton

Andrew, this is biology and I would say it is data driven, it is time driven, and I would say all curves should be smooth; one quarter to another is not—it's telling but it's not all that telling. You need to smooth trends.

Thomas Heinzen

Maybe just one thing to point out to you—Andy, it's Tom—is the number of IPOs as you know has just been increasing. We're on pace for a record number of biotech IPOs and that fuels the trial starts as well.

Andrew D'Silva

Yes, that makes sense. Thanks for the color on that.

Last question I have is just related to shipper inventory. You're obviously growing very fast and now you have eight approved therapies that you're supporting and the volume quickly increases there. I was curious how you feel about your current capacity as it stands today, or do you need to do some more work on just adding more dewars and things like that?

Jerrell (Jerry) Shelton

Andrew, we manufacture dewars as well. I mean that was part of the—one of the reasons of acquiring MVE, so we are in pretty good shape there.

Mark Sawicki

To be honest, we really track our inventory management as it relates to the forecasts that are provided by our client base, and obviously having a specific contingency in there for growth, so we know well in advance of when we need inventory and we have a very, very well defined supply chain to address any requirements there.

Jerrell (Jerry) Shelton

Mark is speaking at the Cryoport Systems level, of course. Remember, we're four different companies. We manufacture as well as—that question sounds like a legacy question.

Andrew D'Silva

It is, yes. Perfect.

Sorry, I got just one more quick one. Obviously CRYOPDP had a very strong quarter and you gave some indication that going forward it should continue. I was curious if we should expect that segment to continue to grow throughout the year, or if the sequential uptick was any sort of seasonality or anything else that you can point to?

Jerrell (Jerry) Shelton

Andrew, we don't give guidance specifically but you can expect continued growth in these companies. As I stated when quizzed about why we acquired them, we bought them for the future, not for the past, and they're on a track now that's very exciting, so you can expect continued performance.

Andrew D'Silva

Well, great job. Thanks for taking my questions and I'll hop back in queue.

Jerrell (Jerry) Shelton

Thank you.

Thomas Heinzen

Thanks, Andy.

Operator

We'll now take a question from David Saxon with Needham.

Joseph for David Saxon

Hey guys, this is Joseph on for David. A couple of questions here.

Maybe referring to the more recent announcement with the relationship with Cellenkos for providing I guess the whole suite more or less excluding MVE, services to them. At least that's my understanding,

you guys are providing Cryoport Systems in the form of dewars, logistics with CRYOPDP, and storage to some capacity to Cryogene. I guess I was just kind of curious how has this relationship been going, how the synergies have really played in your favor and have there been more clients maybe previously from CRYOPDP that are now using Cryoport System services? I guess maybe more generally, how all that has trended.

Mark Sawicki

This is part of our overall synergy strategy, right, and part of the reason that we purchased CRYOPDP was to be able to leverage their relationships into the Cryoport Systems network and vice versa. Ultimately our goal is for our entire portfolio to be able to be supported by the family of Cryoport Inc. companies and this is one example of it. There is absolutely other examples that are ongoing at this time and it will be a continued strategy for our synergy revenue targets that Jerry has talked about in the past.

Joseph for David Saxon

Okay, great. That's helpful.

Then maybe I guess another one, going back to these clinical trials. Looking back on the last six months or year, obviously clinical trials that Cryoport is involved in is at a record high. Looking at trial starts for Phase 1, 2 or 3, are you seeing this trend up at all? Just throughout the pandemic recovery.

Mark Sawicki

The numbers continue to grow, right? We publish numbers on a quarterly basis that give you guys an indication of our presence and share in the space. We saw strong growth again in this most recent quarter. Our ultimate goal is to continue to capture share in addition to obviously meeting the objectives of the overall growth of the space. I don't anticipate any change to that strategy and the resultant performance based on that.

Thomas Heinzen

Joseph, maybe just to add that it's a combination of new trials starting, the maturation of trials going from one phase to the other, and just another reminder that it's a net number. Every quarter there's going to be some trials that drop out or halt, or get approved or file for approval. They fall into the mix, but it's all looking very bullish right now.

Joseph for David Saxon

Sure, sure. Absolutely. I guess maybe from our end it's hard to see obviously which trials progress from Phase 1 to Phase 2 or maybe drop out on that Phase 1. I guess the initiation is a little bit more vague to us, but thank you guys very much. I'll hop back in the queue.

Mark Sawicki

Yes, there is a lot more flux behind the scenes than you guys know. Just like Tom said, there is always attrition rate, and so the new starts are much higher than the quarterly numbers. That's a net change.

Operator

Our next question comes from David Larsen with BTIG.

David Larsen

Hi. Congratulations on a very good quarter. Did you disclose how much revenue came from commercially supported products? I think it was \$2.5 million last quarter and about \$10 million in Fiscal '20. Any thoughts there? Then, any thoughts on which products you expect to get the most growth from in this area? Is it Skysona or Abecma? Thanks.

Mark Sawicki

The number has increased and increased nicely. It's up 26%, up to about \$3.2 million for the quarter from previous quarter. We can't disclose the mix. Obviously that's confidential. Our expectation is that all of the new launches will have definitive contribution over time to that number.

David Larsen

Okay. Then any thoughts on the status of the supply chain centers in Houston and New Jersey that I think are in the process of opening. Where do we stand there? Then also, any thoughts on the cryosphere shipper that I think is going to launch this year? Thanks.

Jerrell (Jerry) Shelton

I think Mark is closer to all those issues, so he'll answer that question.

Mark Sawicki

Both the facilities in Houston and Morris Plains are nearing the end of their construction phase. They will initiate their validation related and regulatory activities in the next 60 days, both of which will open in the fourth quarter.

The cryosphere is already in what's called first article. So, basically we are now starting the manufacturing for the final testing with the anticipated rollout of commercial inventory of that product in the early Q1 next year.

David Larsen

Okay, great. Thanks so much. Appreciate it.

Mark Sawicki

My pleasure.

Thomas Heinzen

Thank you, David.

Operator

Jacob Johnson with Stephens has our next question.

Jacob Johnson

Good evening everybody. Maybe just first question, I think last quarter you talked about putting more freight through CRYOPDP versus third parties for customers. How much of the uptick in CRYOPDP revenues this quarter is maybe attributable to that? Then, I guess bigger picture, is that something you could look to replicate elsewhere as we think about the long term?

Robert Stefanovich

I'll take it real quick. We don't disclose the specific revenue from synergies. We have talked about the overall synergies that we expect to see over the next four or five years of \$100 million, of which 80% of that is revenue. Suffice to say, we do see an uptick in revenue from synergies but this is still the early phases. We expect that to continue to grow throughout the second half and next year as well.

So, it is working very well and I don't know if, Mark, you wanted to comment on anything on the cooperation there.

Mark Sawicki

Yes. It's going as planned. Obviously there's a process associated with bringing a new vendor on or a new partner on that takes time because you have to go through a regulatory approval process. That is very, very active, and as Robert said, our expectation is we are seeing growth. Our expectation is that will continue to accelerate in the coming quarters and into 2022.

Jacob Johnson

Got it. Thanks for that, Robert and Mark. Then I guess as my follow-up, just a kind of big picture question. You used to talk about \$2 million to \$20 million of revenues per commercial approval. I think that moved to \$2 million to \$28 million with the CRYOPDP and MVE deals. You've owned these businesses I guess for almost a year now. Can you just—is it still 2 to 28 the expectation, or have you found some additional opportunities that maybe I guess maybe give you more confidence in it, or think that maybe 2 to 28, something larger than that?

Jerrell (Jerry) Shelton

No, those ranges are not changing, Jacob. These therapies are just beginning to ramp, so we are confident with our estimates.

Jacob Johnson

That's what I figured. Thank you, Jerry.

Operator

Once again, if you would like to ask a question, please press star, one.

We'll now take a follow-up question from David Saxon with Needham.

Joseph for David Saxon

Hey guys, Joseph again. You guys announced the Singapore facility expansion a couple of months back. I guess have samples started processing through that facility and maybe more importantly and more generally, the clinical trial landscape in APAC with Cryoport is obviously small but growing fast. Where do

you guys see the clinical trial landscape in terms of what you guys are involved in long term? Is this anything that could get up to the levels that we see now in America or Europe? Thanks.

Mark Sawicki

It is definitively a target for us. We are putting resources into building out. The acquisition of the entity in Australia is a perfect example of that, to build out our ability to distribute product within Australia itself. Our expectation is that market will be the second fastest growing market besides the U.S. in the near future and we intend on capturing as much share in that geography as we have in the U.S.

Joseph for David Saxon

Okay. Thank you guys very much. Just that one for me.

Thomas Heinzen

Thank you.

Operator

We'll move to our next question from Paul Knight with KeyBanc.

Paul Knight

Hi Jerry and team. Could you talk a little bit about industry competitive dynamics? It seems like you're at least keeping share. Is it really firms that want to do it themselves that is your most significant competitor, Jerry?

Jerrell (Jerry) Shelton

Nothing has changed on the competitive front, Paul. We are unique so we do think we have an edge, but nothing actually has changed on that competitive front. Doing it themselves is really not an option after some point, to early stage, maybe Phase 1, but Mark, do you want to add to that?

Mark Sawicki

No, I agree. I actually think the overall environment, there's a slight weakening from some of our competitive space. In fact, I think there's an opportunity to over time accelerate some of our share capture.

Paul Knight

What's the most critical stage? Is it when they are in the early Phase 1 stage or is it when they are at that BLA filing stage?

Mark Sawicki

Our goal is to capture them as early as possible because once we have a client in our portfolio our retention rate is nearly 100%, and so from that perspective, earlier the better, But obviously we're always chasing every single opportunity from a portfolio standpoint, even things that are mid phase or late phase from a capture basis. Those are definitive targets as well.

Paul Knight

Thank you.

Operator

We have one name remaining in the queue at this time. Again a reminder, please press star, one to signal for a question.

We'll now go to Richard Baldry with ROTH Capital.

Richard Baldry

Thanks. Since the major acquisitions were closed in the fourth quarter, the SG&A line has had sort of a staccato performance from a high of 26 down to 21 and sort of splitting it in the current quarter at 24.7. Talk about how stable that number is at current levels, whether there's any one-time items in there, how do we think about the pace of that line moving on a go-forward. I know you don't guide but sort of to give us sort of a mid level view of how that should move. Thanks.

Robert Stefanovich

Maybe just a few things. This is Robert.

We had stock-based compensation expenses, we have the Adjusted EBITDA reconciliation. You'll see there's about \$4 million of stock-based compensation expense included in Q2. That is up from Q1 that had about \$3 million as we issued equity to all employees of the new companies, MVE Biological Solutions and CRYOPDP.

On top of that, we're going to continue to build out our resources and capabilities so you will see some increase, but I think if you look at Q2 and use a moderate increase for Q3 and Q4 it should be on target. Again, we are bringing in additional resources, building out capabilities as we expect significant increase in demand over the next quarters and years, so that's going to continue, but again, I would use that as kind of the metric and build from there an increase quarter-over-quarter.

Richard Baldry

Then while biopharma was up pretty strongly sequentially, animal health was down a little bit. From, again, a very general perspective, are there any seasonal trends sort of within each of those segments that we should be closely watching as we sort of build our models? Thanks.

Jerrell (Jerry) Shelton

There's probably some seasonality. It's minor but there's probably some seasonality, especially in the animal health area since we—that's a significant part of MVE and it relates to the breeding seasons. But I can't give you a curve on that. I can't tell you the seasonality of it just yet, Rich, but we'll be happy to share that with you as we experience that and as we have more information to share.

Richard Baldry

Right.

Robert Stefanovich

Then just biopharma market is about 81% of our business. That's where we expect significant growth. Reproductive medicine has shown significant growth. I think the only time where you'll see it's not seasonality, it's really just timing, if you look at MVE Biological Solutions, it's time of orders and size of orders. It's less seasonality but just more timing. And we have very strong demand for our solutions and for the product offering that MVE Biological Solution has.

Jerrell (Jerry) Shelton

As Robert said, it's a small portion. It's 81% biopharma and probably not going to have any impact on your modeling.

Robert Stefanovich

Yes, and then just to reiterate, we showed record revenue. Look at Q4, Q1, Q2, significant departure from their growth profiles historically, so we're expecting continued strong performance.

Robert Baldry

Great, thanks.

Operator

We have no further questions queued at this time. Jerry, I'll turn things back over to you for any additional or closing remarks.

Jerrell (Jerry) Shelton

Thank you very much and thank all of you for your questions. We appreciate your continuing support and interest in the company.

In closing, let me say that we are pleased with the momentum that we've achieved in our business this year. With record revenue in both the first and second quarters, we are on track to deliver another year of solid growth as we continue to successfully execute on our strategy.

Fueling our confidence are the key events from the first half of the year which include an increasing number of clinical trials being supported, an increasing number of new biopharma customers, the continued global ramp of commercial therapies, new therapy commercial filings and new therapy commercial approvals, and the overall interest in our advanced temperature-controlled supply chain solutions by the markets we serve.

Thank you very much for joining us this afternoon. We look forward to speaking with you again next quarter. In the meantime, we wish you and yours the best of health and prosperity. Thank you.

Operator

That does conclude today's conference. Once again, thank you everyone for joining us.