

October 15, 2013



# Enzo Biochem Reports Fourth Quarter and Fiscal Year Results

## **Records Sequential Gains in Revenues, Margins, Operating Income, Company Prepares For Trial Next Month Seeking to Enforce Significant Contracts and Key Patents**

NEW YORK--(BUSINESS WIRE)-- Enzo Biochem Inc. (NYSE:ENZ) today reported results for the fiscal fourth quarter and year ended July 31, 2013. On a sequential basis, as compared to the preceding third quarter, unless otherwise indicated, Enzo reported:

- Total revenues increased 3% to \$23.3 million.
- Gross margins rose 4%, to \$9.4 million, and gross profit, as a percentage of revenues, increased to 41%, from 40%.
- Total operating expenses, net of legal and impairment charges, decreased by more than \$7 million year over year, a decline of more than 12%.
- Operating loss improved from the sequential quarter by \$2.2 million and \$0.9 million a year ago, net of impairment charges.
- Net loss improved by 46% to (\$3.1) million.
- Cash used in operations was \$1.5 million, an improvement of 62%.

“Much of what we have accomplished in Fiscal 2013 has been geared towards positioning Enzo Biochem towards capitalizing on its strong intellectual property portfolio through commercialization of diagnostic technology and products based on proprietary platforms such as Ampiprobe™” said Barry Weiner, President of Enzo. “We have continued to strengthen our translational diagnostic capabilities, increase the menu of both products and services in the high-value molecular and esoteric testing space and have concentrated the Company’s efforts around serving the diagnostic marketplace with high performing, cost effective products that are keys in today’s challenging healthcare environment.”

“We believe the value of this intellectual property was demonstrated by the jury award of \$48.5 million, prior to any interest and damages award, through the favorable verdict Enzo received in the Life Technologies case, and hopefully will be shown in the upcoming litigation in New York Federal District Court.”

“Despite continued weakness in the academic and pharmaceutical-based research and development markets, our program at Life Sciences to improve efficiencies and emphasize higher margin product sales is paying off. Clinical Labs continues to add new diagnostic procedures while also improving collection efficiencies, as reflected in a 35% quarter over

quarter improvement in the provision for uncollectible receivables. The vagaries of the insured healthcare market remain in flux, as reimbursements both via Medicare and among private insurers tightened. Our strategy, in addition to improving productivity and reducing overhead, has been to move increasingly to higher end esoteric diagnostics through both collaboration and in-house developments, a strategy that is reflected in the unit's positive cash flow in the fourth quarter.

Legal costs remained high throughout the year, and are expected to continue above historical levels, due to preparation for next month's scheduled trial in New York Federal District Court and the successful prosecution of the case against Life Technologies, which nonetheless resulted in additional expenses due to post judgment filings. Finances remain satisfactory, and we regard the overall outlook for Enzo, given our depth and breadth, as well as the stringent staff and cost measures we have taken to strengthen results, as promising."

### **Quarterly and Fiscal Year Results**

For the quarter, total revenues were \$23.3 million, compared with \$22.6 million in the preceding quarter and \$26.4 million a year ago. Fiscal 2013 revenues totaled \$93.7 million, compared with \$103.1 million. Net loss for the quarter amounted to \$3.1 million, or (\$0.08) per share, basic and fully diluted, compared to a net loss of \$5.8 million, or (\$0.15) per share, basic and fully diluted sequentially and a net loss of \$27.1 million, or (\$0.69) per share, basic and fully diluted, a year ago (including an impairment charge of \$22.4 million). On July 31, 2013, total current assets amounted to \$32.6 million, including \$9.0 million of cash and cash equivalents. Working capital amounted to \$8.7 million.

### **Sector Results**

At Enzo Clinical Labs, despite organic growth, lower reimbursements and policy changes from certain payers, fourth quarter revenues amounted to \$14.0 million, compared to \$13.4 million in the preceding quarter and \$15.9 million a year ago. Gross margin at \$4.2 million remained essentially even quarter over quarter, with gross profit percentage equal to 30% in both periods, but declined approximately \$2 million year over year, when the gross profit percentage was 40%. The operating loss improved by approximately \$0.6 million sequentially, to \$1.5 million, and compared to an operating loss a year ago of \$0.8 million.

During the past year Clinical Labs has extensively updated much of its core operational instrumentation, including the recent addition of robotic specimen handling, and increased its collaborative and internal development program to offer client physicians more genetic and other esoteric assays carrying wider margins. Owing to these and other steps, including reduced staffing costs and other efficiencies, Clinical Labs was cash flow positive in the July 2013 quarter, and was able to reduce uncollectable receivable provisioning by roughly 35% and 59%, respectively, quarter over quarter and the year ago quarter.

Enzo Life Sciences' fourth quarter revenues totaled \$9.3 million, approximating that of the April 2013 quarter and compared with \$10.6 million a year ago. Excluding royalties and licensing income, product sales were \$8.0 million, about 4% lower than the April quarter and about \$0.9 million less than the fourth quarter of 2012. However, due to the benefits of a more centralized and efficient operation, gross margin was \$5.2 million, compared with \$5.0 million sequentially and \$5.4 million a year ago. Gross profit, respectively, was 56%, 54% and 51%. Operating income amounted to \$1.3 million, up from \$0.5 million quarter over

quarter and \$0.3 million, excluding the aforementioned impairment charge, a year ago. Efforts internally to promote new products, focus on higher margin products while reducing overall marketing, developmental and manufacturing expenses offset an industry-wide slowdown among public and private research laboratories.

### **Conference Call**

**The Company will conduct a conference call on October 16, 2013 at 8:30 AM ET. The call can be accessed by dialing 1-888-459-5609. International callers can dial 1-973-321-1024. Please reference PIN number 77517330. Interested parties may also listen over the Internet at <http://phoenix.corporate-ir.net/phoenix.zhtml?p=irol-eventDetails&c=94391&eventID=5035193>.**

**To listen to the live call on the Internet, please go to the web site at least fifteen minutes early to register, download and install any necessary audio software. For those who cannot listen to the live broadcast, a replay will be available approximately two hours after the end of the live call, through midnight (ET) on October 30, 2013. The replay of the conference call can be accessed by dialing 1-800-585-8367, and when prompted, use PIN number 77517330. International callers can dial 1-404-537-3406, using the same PIN number.**

### **NON-GAAP 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 Company's investor relations web site ([www.enzo.com](http://www.enzo.com)) any reconciliation of differences between non-GAAP 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.

### **About Enzo Biochem**

Enzo Biochem is a pioneer in molecular diagnostics, leading the convergence of clinical laboratories, life sciences and therapeutics 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 both today and into the future. Underpinning Enzo Biochem's products and technologies is a broad and deep intellectual property portfolio, with patent coverage across a number of key enabling technologies.

*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, revenues, and expenses 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, litigations, and general business conditions. See Risk Factors in the Company's Form 10-K for the fiscal year ended July 31, 2013. 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.*

### ENZO BIOCHEM, INC.

(in thousands, except per share data)

<b><u>Selected operations data:</u></b>	<b>Three months ended</b>		<b>Fiscal Year ended</b>	
	<b>July 31,</b>		<b>July 31,</b>	
	<b>(unaudited)</b>		<b>(unaudited)</b>	
	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>
Revenues:				
Clinical laboratory services	\$14,008	\$15,851	\$55,889	\$59,403
Product revenues	\$7,951	\$8,903	\$32,526	\$37,722
Royalty and license fee income	\$1,310	\$1,654	\$5,292	\$5,958
Total revenues	<u>\$23,269</u>	<u>\$26,408</u>	<u>\$93,707</u>	<u>\$103,083</u>
Gross profit	<u>\$9,446</u>	<u>\$11,673</u>	<u>\$38,872</u>	<u>\$47,110</u>
Gross profit %	<u>41%</u>	<u>44%</u>	<u>41%</u>	<u>46%</u>
Loss before income taxes	(\$3,532)	(\$29,074)	(\$18,949)	(\$40,921)

Benefit for income taxes (A)	430	1,931	712	1,652
Net loss	<u>(\$3,102)</u>	<u>(\$27,143)</u>	<u>(\$18,237)</u>	<u>(\$39,269)</u>
Basic and diluted loss per share	<u>(\$0.08)</u>	<u>(\$0.69)</u>	<u>(\$0.46)</u>	<u>(\$1.01)</u>
Weighted average shares outstanding - basic and diluted	<u>40,284</u>	<u>39,162</u>	<u>39,607</u>	<u>38,798</u>

**Reconciliation of GAAP Net Loss to  
EBITDA, as adjusted:**

Net loss	(\$3,102)	(\$27,143)	(\$18,237)	(\$39,269)
Add-back (deduct):				
Depreciation and amortization	1,108	1,191	4,605	4,477
Interest expense (income)	29	(27)	54	(21)
(Benefit) for income taxes	(430)	(1,931)	(712)	(1,652)
EBITDA (B)	<u>(\$2,395)</u>	<u>(\$27,910)</u>	<u>(\$14,290)</u>	<u>(\$36,465)</u>
Non cash impairment charges and incremental severance - C		\$24,840		\$24,840
EBITDA (B), as adjusted	<u>(\$2,395)</u>	<u>(\$3,070)</u>	<u>(\$14,290)</u>	<u>(\$11,625)</u>

**Notes:**

A- All periods reflect effective tax rates below the statutory rate due to inability to recognize future tax benefits.

B- EBITDA is a non-GAAP measure, as described in the attached press release

C- EBITDA, adjusted for non-cash impairment charges relating to goodwill and intangibles of \$24.5 million and incremental one-time severance costs of \$0.3 million.

**Selected balance sheet data:**

	<u>July 31, 2013</u>	<u>July 31, 2012</u>
Cash and cash equivalents	\$9,007	\$15,076
Working capital	\$8,704	\$21,412
Stockholders' equity	\$34,132	\$49,101

Total assets	\$58,958	\$69,123
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