
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2021

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____.
Commission File Number: 001-34632



CRYOPORT, INC.

(Exact Name of Registrant as Specified in its Charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

88-0313393
(I.R.S. Employer
Identification No.)

112 Westwood Place, Suite 350
Brentwood, TN 37027
(Address of principal executive offices, including zip code)

(949) 470-2300
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class:</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered:</u>
Common Stock, \$0.001 par value	CYRX	The Nasdaq Stock Market LLC (The Nasdaq Capital Market)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

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

As of October 29, 2021 there were 46,295,658 shares of the registrant's common stock outstanding.

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Cryoport, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(in thousands, except share data)

	September 30, 2021 (unaudited)	December 31, 2020
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 43,680	\$ 36,873
Short-term investments	305,802	56,444
Accounts receivable, net	38,460	31,377
Inventories	13,484	10,535
Prepaid expenses and other current assets	8,958	11,928
Total current assets	410,384	147,157
Property and equipment, net	42,853	30,036
Operating lease right-of-use assets	18,425	14,044
Intangible assets, net	205,240	213,908
Goodwill	146,371	145,282
Deposits	955	1,184
Other long-term assets	158	794
Total assets	<u>\$ 824,386</u>	<u>\$ 552,405</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and other accrued expenses	\$ 29,235	\$ 24,844
Accrued compensation and related expenses	8,649	7,441
Deferred revenue	308	445
Operating lease liabilities	2,820	2,231
Finance lease liabilities	61	59
Total current liabilities	41,073	35,020
Convertible senior notes, net of discount of \$3.1 million and \$3.7 million, respectively	111,924	111,344
Note payable, net of discount of \$0.1 million and \$0, respectively	4,509	4,912
Contingent consideration	731	—
Operating lease liabilities, net of current portion	16,355	12,261
Finance lease liabilities, net of current portion	64	112
Deferred tax liability	2,356	5,882
Other long-term liabilities	148	176
Total liabilities	177,160	169,707
Commitments and contingencies		
Stockholders' Equity:		
Preferred stock, \$0.001 par value; 2,500,000 shares authorized:		
Class A convertible preferred stock — \$0.001 par value; 800,000 shares authorized; none issued and outstanding	—	—
Class B convertible preferred stock — \$0.001 par value; 585,000 shares authorized; none issued and outstanding	—	—
Class C convertible preferred stock, \$0.001 par value; 250,000 shares authorized; 200,000 issued and outstanding	8,275	2,844
Common stock, \$0.001 par value; 100,000,000 shares authorized; 46,207,566 and 39,837,058 issued and outstanding at September 30, 2021 and December 31, 2020, respectively	46	40
Additional paid-in capital	846,187	566,451
Accumulated deficit	(207,455)	(192,013)
Accumulated other comprehensive income	173	5,376
Total stockholders' equity	647,226	382,698
Total liabilities and stockholders' equity	<u>\$ 824,386</u>	<u>\$ 552,405</u>

See accompanying notes to condensed consolidated financial statements.

Cryoport, Inc. and Subsidiaries
Condensed Consolidated Statements of Operations
(in thousands, except share and per share data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Service revenues	\$ 30,899	\$ 11,172	\$ 87,342	\$ 30,335
Product revenues	25,794	—	78,826	—
Total revenues	<u>56,693</u>	<u>11,172</u>	<u>166,168</u>	<u>30,335</u>
Cost of service revenues	18,114	5,117	50,409	13,895
Cost of product revenues	15,066	—	42,295	—
Total cost of revenues	<u>33,180</u>	<u>5,117</u>	<u>92,704</u>	<u>13,895</u>
Gross margin	<u>23,513</u>	<u>6,055</u>	<u>73,464</u>	<u>16,440</u>
Operating costs and expenses:				
Selling, general and administrative	23,901	14,476	69,977	30,613
Engineering and development	4,188	2,312	12,953	5,991
Total operating costs and expenses	<u>28,089</u>	<u>16,788</u>	<u>82,930</u>	<u>36,604</u>
Loss from operations	(4,576)	(10,733)	(9,466)	(20,164)
Other income (expense):				
Investment income	851	188	1,618	808
Interest expense	(1,189)	(1,889)	(3,563)	(2,290)
Other income (expense), net	(588)	987	(1,469)	536
Total other expense, net	<u>(926)</u>	<u>(714)</u>	<u>(3,414)</u>	<u>(946)</u>
Loss before provision for income taxes	(5,502)	(11,447)	(12,880)	(21,110)
(Provision for) benefit from income taxes	(1,024)	29	(2,562)	(54)
Net loss	\$ (6,526)	\$ (11,418)	\$ (15,442)	\$ (21,164)
Paid-in-kind dividend on Series C convertible preferred stock	(2,000)	—	(6,196)	—
Net loss attributable to common stockholders	<u>\$ (8,526)</u>	<u>\$ (11,418)</u>	<u>\$ (21,638)</u>	<u>\$ (21,164)</u>
Net loss per share attributable to common stockholders— basic and diluted	<u>\$ (0.18)</u>	<u>\$ (0.29)</u>	<u>\$ (0.48)</u>	<u>\$ (0.55)</u>
Weighted average shares outstanding – basic and diluted	<u>46,137,147</u>	<u>39,144,916</u>	<u>45,220,319</u>	<u>38,211,327</u>

See accompanying notes to condensed consolidated financial statements.

Cryoport, Inc. and Subsidiaries
Condensed Consolidated Statements of Comprehensive Loss
(in thousands)

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Net loss	\$ (6,526)	\$ (11,418)	\$ (15,442)	\$ (21,164)
Other comprehensive income (loss), net of tax:				
Net unrealized gain (loss) on available-for-sale debt securities	(384)	(105)	(1,544)	251
Reclassification of realized (gain) loss on available-for-sale debt securities to earnings	(31)	28	7	(19)
Foreign currency translation adjustments	(512)	24	(3,666)	20
Other comprehensive income (loss)	(927)	(53)	(5,203)	252
Total comprehensive loss	<u>\$ (7,453)</u>	<u>\$ (11,471)</u>	<u>\$ (20,645)</u>	<u>\$ (20,912)</u>

Cryoport, Inc. and Subsidiaries
Condensed Consolidated Statements of Stockholders' Equity
(In thousands, except share data)

	Class A Preferred Stock		Class B Preferred Stock		Class C Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Other Comprehensive Income (Loss)	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at June 30, 2020	—	\$ —	—	\$ —	—	\$ —	38,565,193	\$ 39	\$ 295,424	\$ (169,066)	\$ 260	\$ 126,657
Net loss	—	—	—	—	—	—	—	—	—	(11,418)	—	(11,418)
Other comprehensive loss, net of taxes	—	—	—	—	—	—	—	—	—	—	(53)	(53)
Stock-based compensation expense	—	—	—	—	—	—	—	—	2,412	—	—	2,412
Issuance of common stock for board of director compensation	—	—	—	—	—	—	432	—	21	—	—	21
Proceeds from exercise of common stock options and warrants	—	—	—	—	—	—	418,199	—	2,417	—	—	2,417
Balance at September 30, 2020	—	\$ —	—	\$ —	—	\$ —	38,983,824	\$ 39	\$ 300,274	\$ (180,484)	\$ 207	\$ 120,036
Balance at June 30, 2021	—	—	—	—	200,000	\$ 6,275	45,892,448	\$ 46	\$ 841,537	\$ (200,929)	\$ 1,100	\$ 648,029
Net loss	—	—	—	—	—	—	—	—	—	(6,526)	—	(6,526)
Other comprehensive loss, net of taxes	—	—	—	—	—	—	—	—	—	—	(927)	(927)
Stock-based compensation expense	—	—	—	—	—	—	—	—	4,148	—	—	4,148
Paid-in-kind preferred stock dividend, including beneficial conversion feature	—	—	—	—	—	2,000	—	—	(2,000)	—	—	—
Proceeds from exercise of stock options and warrants	—	—	—	—	—	—	315,118	—	2,502	—	—	2,502
Balance at September 30, 2021	—	\$ —	—	\$ —	200,000	\$ 8,275	46,207,566	\$ 46	\$ 846,187	\$ (207,455)	\$ 173	\$ 647,226
Balance at December 31, 2019	—	\$ —	—	\$ —	—	\$ —	37,339,787	\$ 37	\$ 285,609	\$ (159,320)	\$ (45)	\$ 126,281
Net loss	—	—	—	—	—	—	—	—	—	(21,164)	—	(21,164)
Other comprehensive income, net of taxes	—	—	—	—	—	—	—	—	—	—	252	252
Stock-based compensation expense	—	—	—	—	—	—	—	—	6,293	—	—	6,293
Issuance of common stock for board of director compensation	—	—	—	—	—	—	2,400	—	62	—	—	62
Proceeds from exercise of common stock options and warrants	—	—	—	—	—	—	1,641,637	2	8,310	—	—	8,312
Balance at September 30, 2020	—	\$ —	—	\$ —	—	\$ —	38,983,824	\$ 39	\$ 300,274	\$ (180,484)	\$ 207	\$ 120,036
Balance at December 31, 2020	—	—	—	—	250,000	\$ 2,844	39,837,058	\$ 40	\$ 566,451	\$ (192,013)	\$ 5,376	\$ 382,698
Net loss	—	—	—	—	—	—	—	—	—	(15,442)	—	(15,442)
Other comprehensive loss, net of taxes	—	—	—	—	—	—	—	—	—	—	(5,203)	(5,203)
Stock-based compensation expense	—	—	—	—	—	—	—	—	11,152	—	—	11,152
Issuance of common stock for board of director compensation	—	—	—	—	—	—	229	—	11	—	—	11
Cost of Series C preferred stock conversion	—	—	—	—	—	—	—	—	(1,800)	—	—	(1,800)
Issuance of common stock in public offering, net of costs of \$17.7 million	—	—	—	—	—	—	4,356,059	4	269,821	—	—	269,825
Conversion of Series C preferred shares to common stock	—	—	—	—	(50,000)	(765)	1,312,860	1	764	—	—	—
Paid-in-kind preferred stock dividend, including beneficial conversion feature	—	—	—	—	—	6,196	—	—	(6,196)	—	—	—
Proceeds from exercise of stock options and warrants	—	—	—	—	—	—	701,360	1	5,984	—	—	5,985
Balance at September 30, 2021	—	\$ —	—	\$ —	200,000	\$ 8,275	46,207,566	\$ 46	\$ 846,187	\$ (207,455)	\$ 173	\$ 647,226

See accompanying notes to condensed consolidated financial statements.

Cryoport, Inc. and Subsidiaries
Condensed Consolidated Statements of Cash Flows
(unaudited, in thousands)

	For the Nine Months Ended September 30,	
	2021	2020
Cash Flows From Operating Activities:		
Net loss	\$ (15,442)	\$ (21,164)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	14,944	2,499
Amortization of debt discount	736	248
Unrealized loss (gain) on investments in equity securities	308	(438)
Realized loss on investments in equity securities	—	805
Realized loss (gain) on available-for-sale investments	77	(10)
Stock-based compensation expense	11,163	6,355
Loss on disposal of property and equipment	125	214
Provision for bad debt	263	64
Changes in operating assets and liabilities:		
Accounts receivable	(6,564)	(749)
Inventories	(2,980)	(3)
Prepaid expenses and other current assets	2,722	151
Deposits	210	(99)
Change in operating lease right-of-use assets and lease liabilities	303	61
Accounts payable and other accrued expenses	(2,334)	6,365
Accrued compensation and related expenses	1,245	651
Deferred revenue	(137)	(131)
Deferred tax liability	873	27
Net cash provided by (used in) operating activities	<u>5,512</u>	<u>(5,154)</u>
Cash Flows From Investing Activities:		
Purchases of property and equipment	(15,556)	(5,119)
Software development costs	(757)	—
Purchases of short-term investments	(292,280)	(136,293)
Sales/maturities of short-term investments	41,000	142,276
MVE net working capital settlement	(500)	—
Acquisition of CTSA and F-airGate	(5,040)	—
Patent and trademark costs	(150)	(116)
Net cash (used in) provided by investing activities	<u>(273,283)</u>	<u>748</u>
Cash Flows From Financing Activities:		
Proceeds from exercise of stock options and warrants	5,986	8,312
Proceeds from public offering, net of \$17.7 million in offering costs	269,825	—
Proceeds from the issuance of convertible senior notes	—	115,000
Payment of deferred financing costs	—	(4,118)
Repayment of finance lease liabilities	(44)	(52)
Net cash provided by financing activities	<u>275,767</u>	<u>119,142</u>
Effect of exchange rates on cash and cash equivalents	(1,189)	16
Net change in cash and cash equivalents	6,807	114,752
Cash and cash equivalents — beginning of period	36,873	47,235
Cash and cash equivalents — end of period	<u>\$ 43,680</u>	<u>\$ 161,987</u>
Supplemental Disclosure of Non-Cash Financing Activities:		
Conversion of Series C Preferred Stock to common stock	<u>\$ 765</u>	<u>\$ —</u>
Cost of Series C Preferred stock conversion included in additional paid-in-capital and accounts payable and accrued liabilities	<u>\$ 1,800</u>	<u>\$ —</u>
CRYOPDP goodwill adjustment included in deferred tax liability	<u>\$ 930</u>	<u>\$ —</u>
CRYOPDP goodwill adjustment included in fixed assets	<u>\$ 70</u>	<u>\$ —</u>
Fair value adjustment of CTSA contingent consideration included in goodwill and contingent consideration accrual	<u>\$ 112</u>	<u>\$ —</u>
Note valuation adjustment included in note payable and goodwill	<u>\$ 284</u>	<u>\$ —</u>
Net unrealized (loss)/gain on available-for-sale securities	<u>\$ (1,544)</u>	<u>\$ 251</u>
Reclassification of realized (loss)/gain on available-for-sale debt securities to earnings	<u>\$ (10)</u>	<u>\$ 19</u>
Purchase of equipment through capital lease obligations	<u>\$ —</u>	<u>\$ 205</u>
Fixed assets included in accounts payable and accrued liabilities	<u>\$ 1,554</u>	<u>\$ 327</u>
Financing costs included in accounts payable and accrued liabilities	<u>\$ —</u>	<u>\$ 473</u>

See accompanying notes to condensed consolidated financial statements.

Cryoport, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2021 and 2020
(Unaudited)

Note 1. Management’s Representation and Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared by Cryoport, Inc. (the “Company”, “Cryoport”, “our” or “we”) in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information, and pursuant to the instructions to Form 10-Q and Article 10 of Regulation S-X promulgated by the Securities and Exchange Commission (“SEC”). Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statement presentation. However, the Company believes that the disclosures are adequate to make the information presented not misleading. In the opinion of management, all adjustments (consisting primarily of normal recurring accruals) considered necessary for a fair presentation have been included.

Operating results for the three and nine months ended September 30, 2021 are not necessarily indicative of the results that may be expected for the year ending December 31, 2021. The unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020.

The Company has evaluated subsequent events through the date of this filing and determined that no subsequent events have occurred that would require recognition in the unaudited condensed consolidated financial statements or disclosure in the notes thereto other than as disclosed in the accompanying notes.

Note 2. Nature of the Business

Cryoport is a life sciences services company that is an integral part of the temperature-controlled supply chain supporting the biopharma/pharma, animal health, and reproductive medicine markets. We are redefining the temperature-controlled supply chain for the life sciences industry by providing a unique platform of critical solutions including highly differentiated temperature-controlled supply chain solutions, which include advanced methods, processes, packaging, informatics, specialty logistics services, biostorage services and cryogenic life sciences equipment. Through our products, services and expertise, we enable our clients to ship, store and deliver cellular-based materials and drug products as well as other life sciences commodities in a precise, defined temperature-controlled state.

Cryoport’s advanced platform, comprised of comprehensive and technology-centric systems, and solutions are designed to support the global high-volume distribution of commercial biologic and cell-based products and therapies regulated by the United States Food and Drug Administration (FDA) and other international regulatory bodies for distribution in the Americas, EMEA (Europe, the Middle East, and Africa) and APAC (Asia-Pacific) regions. Cryoport’s solutions are also designed to support pre-clinical and clinical trials, Biologics License Applications (BLA), Investigational New Drug Applications (IND), New Drug Applications (NDA) and Commercialized Products with the FDA, as well as global clinical trials and commercialized products initiated in other countries, where strict regulatory compliance and quality assurance is mandated. Our industry standard setting Chain of Compliance™ solutions, which include vital analytics, such as ‘chain-of-condition’ and ‘chain-of-custody’ information in a single data stream, empower our clients’ continuous vigilance over their respective commodities. In addition, our Chain of Compliance™ standard ensures full traceability of all equipment used and the processes employed, further supporting each client’s goal of minimizing risk and maximizing success of their respective biologics or other products and therapies as they are introduced into the global markets.

Cell and gene therapies are a rapidly growing area of biological drug development, with over 1,320 industry-sponsored, global clinical trials underway and nearly 1,200 regenerative medicine and advanced therapy developers, as reported by the Alliance for Regenerative Medicine in its H1 2021 update. These therapeutic approaches have certain supply chain challenges that the Company believes its solutions are best tailored to address.

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On August 21, 2020, the Company entered into a Securities Purchase Agreement to acquire CRYOPDP, a leading global provider of innovative temperature-controlled logistics solutions to the clinical research, pharmaceutical and cell and gene therapy markets, headquartered in Paris, France. Under the terms of the Securities Purchase Agreement, the Company acquired 100% of the equity interests in Advanced Therapy Logistics and Solutions, a company organized under the laws of France, which is the holding company that owns CRYOPDP (the “CRYOPDP Acquisition”). The final purchase price for the CRYOPDP acquisition was \$56.7 million. In the second quarter of 2021, the Company completed the acquisitions of Critical Transport Solutions Australia (CTSA) in Australia and F-airGate in Belgium to further enhance CRYOPDP’s existing global temperature-controlled supply chain capabilities in the APAC and EMEA regions.

On August 24, 2020, the Company entered into a Purchase Agreement with Chart Industries, Inc. (“Chart”) pursuant to which the Company acquired Chart’s MVE Biological Solutions’ (“MVE”) cryobiological storage business (the “MVE Acquisition”). The final purchase price for the MVE acquisition was \$318.0 million. The MVE Acquisition was structured as the acquisition of certain equity interests and assets and the transfer of certain liabilities in connection therewith.

On October 1, 2020, the Company completed both the MVE Acquisition and the CRYOPDP Acquisitions.

The Company is a Nevada corporation and its common stock is traded on the NASDAQ Capital Market exchange under the ticker symbol “CYRX.”

Note 3. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with U.S. GAAP.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Cryoport, Inc. and its wholly-owned subsidiaries, Cryoport Systems, LLC, Cryogene, Inc., MVE Biological Solutions US LLC, and Cryoport Netherlands B.V. and subsidiaries (collectively, the “Company”). All intercompany accounts and transactions have been eliminated.

Cash and Cash Equivalents

Our cash and cash equivalents represent demand deposits, and money market funds which are readily convertible into cash, have maturities of 90 days or less when purchased and are considered highly liquid and easily tradeable.

Short-Term Investments

Our investments in equity securities consist of mutual funds with readily determinable fair values which are carried at fair value with changes in fair value recognized in earnings.

Investments in debt securities are classified as available-for-sale and are carried at fair value, with unrealized gains and losses, net of tax, reported as accumulated other comprehensive income (loss) and included as a separate component of stockholders’ equity.

Gains and losses are recognized when realized. When we have determined that an other than temporary decline in fair value has occurred, the amount related to a credit loss is recognized in earnings. Gains and losses are determined using the specific identification method.

Short-term investments are classified as current assets even though maturities may extend beyond one year because they represent investments of cash available for operations.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from estimated amounts. The Company's significant estimates include the allowance for doubtful accounts, fair value of short-term investments, valuations, purchase price allocations and contingent consideration related to business combinations, expected future cash flows including growth rates, discount rates, terminal values and other assumptions and estimates used to evaluate the recoverability of long-lived assets, estimated fair values of intangible assets and goodwill, intangible asset useful lives and amortization methods, allowance for inventory obsolescence, equity-based instruments, tax reserves and recoverability of the Company's net deferred tax assets and related valuation allowance.

Although the Company regularly assesses these estimates, actual results could differ materially from these estimates. Changes in estimates are recorded in the period in which they become known. The Company bases its estimates on historical experience and various other assumptions that it believes to be reasonable under the circumstances.

Future events, including the extent and the duration of the COVID-19 related economic impacts, and their effects cannot be predicted with certainty, and, accordingly the Company's accounting estimates require the exercise of judgment.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, short-term investments, accounts receivable, accounts payable and accrued expenses, finance lease liabilities, note payable, and the Company's 3.00% convertible senior notes due in 2025 (the "Senior Notes"). The carrying value for all such instruments, except finance lease liabilities, note payable and the Senior Notes, approximates fair value at September 30, 2021 and December 31, 2020 due to their short-term nature. The carrying value of finance lease liabilities approximates fair value because the interest rate approximates market rates available to us for similar obligations with the same maturities. For additional information related to fair value measurements, including the note payable and the Senior Notes, see Notes 9 and 10.

Concentrations of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash, cash equivalents and short-term investments. From time to time, we maintain cash, cash equivalent and short-term investment balances in excess of amounts insured by the Federal Deposit Insurance Corporation ("FDIC") and the Securities Investor Protection Corporation ("SIPC"). Primarily all of our cash, cash equivalents and short-term investments at September 30, 2021 were in excess of amounts insured by the FDIC and SIPC. The Company performs ongoing evaluations of these institutions to limit its concentration risk exposure. We manage such risks in our portfolio by investing in highly liquid, highly-rated instruments, and limit investing in long-term maturity instruments.

Our investment policy requires that purchased instruments in marketable securities may only be in highly-rated instruments, which are primarily U.S. Treasury bills or treasury-backed securities, and also limits our investment in securities of any single issuer.

Customers

The Company grants credit to customers within the U.S. and international customers and does not require collateral. Revenues from international customers are generally secured by advance payments except for established foreign customers. The Company generally requires advance or credit card payments for initial revenues from new customers. The Company's ability to collect receivables can be affected by economic fluctuations in the geographic areas and industries served by the Company. Reserves for uncollectible amounts are provided based on past experience and a specific analysis of the accounts, which management believes to be sufficient. Accounts receivable at September 30, 2021 and December 31, 2020 are net of reserves for doubtful accounts of \$1.2 million and \$1.1 million, respectively. Although the Company expects to collect amounts due, actual collections may differ from the estimated amounts. The Company maintains reserves for bad debt and such losses, in the aggregate, historically have not exceeded its estimates.

The Company's customers are in the biopharma, pharmaceutical, animal health, reproductive medicine and other life science industries. Consequently, there is a concentration of accounts receivable within these industries, which is subject to normal credit risk. There were no customers that accounted for more than 10% of net accounts receivable at September 30, 2021 and December 31, 2020.

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During the three months ended September 30, 2021 and 2020, the Company had revenues from foreign customers of approximately \$26.4 million and \$2.4 million, respectively, which constituted approximately 46.5% and 21.7%, respectively, of total revenues. There was no customer that accounted for 10% of revenues during the three months ended September 30, 2021. There was one customer that accounted for 14.9% of revenues during the three months ended September 30, 2020. No other single customer generated over 10% of revenues during the three months ended September 30, 2021 and 2020.

The Company has revenue from foreign customers primarily in the United Kingdom, France, Germany, China and India. During the nine months ended September 30, 2021 and 2020, the Company had revenues from foreign customers of approximately \$79.0 million and \$6.5 million, respectively, which constituted approximately 47.5% and 21.4%, respectively, of total revenues. There was no customer that accounted for 10% of revenues during the nine months ended September 30, 2021. For the nine months ended September 30, 2020, there were three customers that accounted for 16.0%, 14.0% and 10.6% of revenues, respectively. No other single customer generated over 10% of revenues during the nine months ended September 30, 2021 and 2020.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (“FIFO”) method. Inventories are reviewed periodically for slow-moving or obsolete status. The Company writes down the carrying value of its inventories to reflect situations in which the cost of inventories is not expected to be recovered. Once established, write-downs of inventories are considered permanent adjustments to the cost basis of the obsolete or excess inventories. Raw materials and finished goods include material costs less reserves for obsolete or excess inventories. The Company evaluates the current level of inventories considering historical trends and other factors, such as selling prices and costs of completion, disposal and transportation, and based on the evaluation, records adjustments to reflect inventories at net realizable value. These adjustments are estimates, which could vary significantly from actual results if future economic conditions, customer demand, competition or other relevant factors differ from expectations. These estimates require us to make assessments about future demand for the Company’s products in order to categorize the status of such inventories items as slow-moving, obsolete or in excess-of-need. These estimates are subject to the ongoing accuracy of the Company’s forecasts of market conditions, industry trends, competition and other factors.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. We compute depreciation using the straight-line method over the estimated useful lives of the assets which is generally three to twelve years for computer hardware and software, seven to ten years for freezers, four to ten years for trucks and autos, three to fifteen years for furniture and equipment and over the shorter of the lease term or useful lives of the assets for leasehold improvements. Buildings are depreciated over a useful life ranging from 20 to 45 years. Maintenance and repairs are expensed as incurred.

Betterments, renewals and extraordinary repairs that extend the lives of the assets are capitalized; other repairs and maintenance charges are expensed as incurred. The cost and related accumulated depreciation and amortization applicable to assets retired are removed from the accounts, and the gain or loss on disposition is recognized in the consolidated statements of operations.

Leases

The Company determines if an arrangement is a lease at inception. Operating lease right-of-use (“ROU”) assets represent the Company’s right to use an underlying asset during the lease term, and operating lease liabilities represent the Company’s obligation to make lease payments arising from the lease. Operating leases are included in ROU assets, current operating lease liabilities, and long-term operating lease liabilities on our consolidated balance sheets. Finance leases are included in property and equipment, current finance lease liabilities, and long-term finance lease liabilities on our consolidated balance sheets.

Lease ROU assets and lease liabilities are initially recognized based on the present value of the future minimum lease payments over the lease term at commencement date calculated using our incremental borrowing rate applicable to the lease asset, unless the implicit rate is readily determinable. ROU assets also include any lease payments made at or before lease commencement and exclude any lease incentives received. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Leases with a term of 12 months or less are not recognized on the consolidated balance sheets. The Company’s leases do not contain any residual value guarantees. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

The Company accounts for lease and non-lease components as a single lease component for all its leases.

Business Combinations

Total consideration transferred for acquisitions is allocated to the assets acquired and liabilities assumed based on their fair values at the dates of acquisition. This purchase price allocation process requires management to make significant estimates and assumptions primarily with respect to intangible assets. The fair value of identifiable intangible assets is based on detailed valuations that use information and assumptions determined by management. Any excess of purchase price over the fair value of the net tangible and intangible assets acquired is allocated to goodwill. While the Company uses its best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date as well as any contingent consideration, where applicable, the Company's estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, the Company records adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill.

Goodwill

The Company evaluates goodwill on an annual basis in the fourth quarter or more frequently if management believes indicators of impairment exist. Such indicators could include, but are not limited to: (1) a significant adverse change in legal factors or in business climate, (2) unanticipated competition, or (3) an adverse action or assessment by a regulator. The Company compares the fair value of the reporting unit's with its carrying amount and then recognizes an impairment charge for the amount by which the carrying amount exceeds the reporting units fair value up to the total amount of goodwill allocated to the reporting unit. The Company assessed triggering events indicating potential goodwill impairment, including the effects of the COVID-19 pandemic, and after assessment, concluded that there was no impairment during the three and nine months ended September 30, 2021.

Intangible Assets

Intangible assets are comprised of patents, trademarks, software development costs and the intangible assets acquired in the Company's recent acquisitions which include a non-compete agreement, technology, customer relationships, trade name/trademark, agent network, order backlog, developed technology and land use rights. These intangible assets are amortized using the straight-line method over the estimated useful lives (see Note 8). The Company uses the following valuation methodologies to value the significant intangible assets acquired: income approach for customer relationships, replacement cost for agent network and software, and relief from royalty for trade name/trademarks and developed technology. The Company capitalizes costs of obtaining patents and trademarks, which are amortized, using the straight-line method over their estimated useful life of five years once the patent or trademark has been issued.

The Company evaluates the recoverability of identifiable intangible assets whenever events or changes in circumstances indicate that an intangible asset's carrying amount may not be recoverable. Such circumstances could include, but are not limited to: (1) a significant decrease in the market value of an asset, (2) a significant adverse change in the extent or manner in which an asset is used, or (3) an accumulation of costs significantly in excess of the amount originally expected for the acquisition of an asset. The Company measures the carrying amount of the asset against the estimated undiscounted future cash flows associated with it. Should the sum of the expected future net cash flows be less than the carrying value of the asset being evaluated, an impairment loss would be recognized. The impairment loss would be calculated as the amount by which the carrying value of the asset exceeds its fair value. The estimate of fair value is based on various valuation techniques, including the discounted value of estimated future cash flows. The evaluation of asset impairment requires the Company to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment and actual results may differ from assumed and estimated amounts. There was no impairment of intangible assets during the three and nine months ended September 30, 2021.

Other Long-lived Assets

If indicators of impairment exist, we assess the recoverability of the affected long-lived assets by determining whether the carrying value of such assets can be recovered through undiscounted future operating cash flows. If impairment is indicated, we measure the amount of such impairment by comparing the fair value to the carrying value. We believe the future cash flows to be received from the long-lived assets will exceed the assets' carrying value, and accordingly, we have not recognized any impairment losses through September 30, 2021.

Deferred Financing Costs

Deferred financing costs represent costs incurred in connection with the issuance of debt instruments and equity financings. Deferred financing costs related to the issuance of debt are amortized over the term of the financing instrument using the effective interest method and are presented in the consolidated balance sheets as an offset against the related debt. Offering costs from equity financings are netted against the gross proceeds received from the equity financings.

Income Taxes

The Company accounts for income taxes under the provision of Accounting Standards Codification (“ASC”) 740, “*Income Taxes*”, or ASC 740. As of September 30, 2021 and December 31, 2020, there were no material unrecognized tax benefits included in the accompanying consolidated balance sheets that would, if recognized, affect the effective tax rate.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided for certain deferred tax assets if it is more likely than not that the Company will not realize tax assets through future operations. Based on the weight of available evidence, the Company’s management has determined that it is not more likely than not that the U.S. based net deferred tax assets will be realized. Therefore, the Company has recorded a full valuation allowance against its U.S. based net deferred tax assets. With respect to the foreign based deferred tax assets, the Company’s management has reviewed these deferred tax assets on a jurisdictional basis. Based on the weight of each jurisdiction’s available evidence, the Company’s management has made separate determinations for each foreign jurisdiction regarding whether it is more likely than not that a net deferred tax asset within a particular jurisdiction will be realized. The Company has recorded full valuation allowances in jurisdictions where deferred tax assets are not deemed more likely than not to be realized.

Additionally, the Company maintains a deferred tax liability related to indefinite-lived assets that have been netted against deferred tax assets that also allow for indefinite carryforward periods subject to limitations. The remaining taxable temporary difference cannot serve as a source for future taxable income to realize federal net operating losses, due to the fact that post-2017 federal net operating losses are only eligible to offset 80% of income in a given year or in the case of state net operating losses, the state net operating losses will expire prior to the reversal of the taxable temporary difference.

The Company’s policy is to recognize interest and/or penalties related to income tax matters in income tax expense. The Company has immaterial accruals for interest or penalties on its consolidated balance sheets at September 30, 2021 and December 31, 2020 and has recorded only immaterial interest and/or penalties in the consolidated statements of operations for the nine months ended September 30, 2021 and 2020. The Company is subject to taxation in the U.S., various state jurisdictions and in various foreign countries. As of September 30, 2021, the Company is no longer subject to U.S. federal examinations for years before 2017 and for California franchise and income tax examinations for years before 2016. However, to the extent allowed by law, the taxing authorities may have the right to examine prior periods where net operating losses were generated and carried forward and make adjustments up to the amount of the net operating loss carry forward used from the respective prior periods. The Company is not currently under examination by U.S. federal or state jurisdictions. Our foreign subsidiaries are generally subject to examination for three years following the year in which the tax obligation originated. The years subject to audit may be extended if the entity substantially understates corporate income tax. The Company’s subsidiary in India is currently under examination by the Indian tax authorities for the 2012-2013, 2013-2014 and 2015-2016 tax periods. Other than India, the Company does not have any foreign subsidiaries currently under audit by their local taxing authorities.

In December 2019, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) 2019-12 Income Taxes (Topic 740) Simplifying the Accounting for Income Taxes. The FASB issued this ASU as part of its Simplification Initiative to improve areas of U.S. GAAP and reduce cost and complexity while maintaining usefulness. The main provision that impacts the company is the removal of the exception to the incremental approach of intra-period tax allocation when there is a loss from continuing operations and income or gain from other items (for example, discontinued operations and other comprehensive income). ASU 2019-12 is effective for annual periods, and interim periods within those annual periods, beginning after December 31, 2020. Different components of the guidance require retrospective, modified retrospective or prospective adoption. The Company elected to early adopt ASU 2019-12 on January 1, 2020, and the adoption of the standard did not have a material impact to our consolidated financial statements.

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On March 27, 2020, the United States enacted the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The CARES Act is an emergency economic stimulus package that includes spending and tax breaks to strengthen the United States economy and fund a nationwide effort to curtail the effect of COVID-19. The CARES Act provides sweeping tax changes in response to the COVID-19 pandemic. Some of the more significant provisions include the removal of certain limitations on utilization of net operating losses, increasing the loss carryback period for certain losses to five years, and increasing the ability to deduct interest expense, as well as amending certain provisions of the previously enacted Tax Cuts and Jobs Act. At September 30, 2021, the Company has not recorded any income tax provision/(benefit) resulting from the CARES Act mainly due the Company's history of net operating losses generated and the maintenance of a full valuation allowance against its net deferred tax assets.

On June 29, 2020, the State of California passed Assembly Bill 85 which suspends the California net operating loss deduction for the 2020-2022 tax years and the R&D credit usage for the same period (for credit usages in excess of \$5 million). These suspensions were considered in preparation of the September 30, 2021 and December 31, 2020 financial statements.

On December 27, 2020, the United States enacted the Consolidated Appropriations Act of 2021 ("CAA"). The CAA includes provisions extending certain CARES Act provisions and adds coronavirus relief, tax and health extenders. The Company will continue to evaluate the impact of the CAA and its impact on our financial statements in 2021 and beyond.

On March 11, 2021, the United States enacted the American Rescue Plan ("ARP"). The ARP includes provisions extending certain CARES Act provisions, repeals a worldwide interest allocation election, modifies the \$1 million executive compensation limitation for years after 2026 and extends the employee retention credit. The Company will continue to evaluate the impact of the ARP and its impact on our financial statements in 2021 and beyond.

Revenue Recognition

Revenues are recognized when control is transferred to customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods and services. Revenue recognition is evaluated through the following five steps: (i) identification of the contract, or contracts, with a customer; (ii) identification of the performance obligations in the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligations in the contract; and (v) recognition of revenue when or as a performance obligation is satisfied.

Performance Obligations

At contract inception, an assessment of the goods and services promised in the contracts with customers is performed and a performance obligation is identified for each distinct promise to transfer to the customer a good or service (or bundle of goods or services). To identify the performance obligations, the Company considers all of the goods or services promised in the contract regardless of whether they are explicitly stated or are implied by customary business practices. Revenue is recognized when our performance obligation has been met. The Company considers control to have transferred upon delivery because the Company has a present right to payment at that time, the Company has transferred use of the asset, and the customer is able to direct the use of, and obtain substantially all of the remaining benefits from, the asset.

For arrangements under which the Company provides biological specimen storage services and logistics support and management to the customer, the Company satisfies its performance obligations as those services are performed whereby the customer simultaneously receives and consumes the benefits of such services under the agreement.

Revenue generated from short-term logistics and engineering consulting services provided to customers is recognized when the Company satisfies the contractually defined performance obligations. When a contract includes multiple performance obligations, the contract price is allocated among the performance obligations based upon the stand-alone selling prices. Approved contract modifications are accounted for as either a separate contract or as part of the existing contract depending on the nature of the modification.

Our performance obligations on our orders and under the terms of agreements with customers are generally satisfied within one year from a given reporting date and, therefore, we omit disclosure of the transaction price allocated to remaining performance obligations on open orders.

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Shipping and handling activities related to contracts with customers are accounted for as costs to fulfill our promise to transfer the associated products pursuant to the accounting policy election allowed under Topic 606 and are not considered a separate performance obligation to our customers. Accordingly, the Company records amounts billed for shipping and handling as a component of revenue. Shipping and handling fees and costs are included in cost of revenues in the accompanying condensed consolidated statements of operations.

Revenues are recognized net of any taxes collected from customers, which are subsequently remitted to governmental agencies.

Significant Payment Terms

Pursuant to the Company's contracts with its customers, amounts billed for services or products delivered by the Company are generally due and payable in full within 15 to 60 days from the date of the invoice (except for any amounts disputed by the customer in good faith). Accordingly, the Company determined that its contracts with customers do not include extended payment terms or a significant financing component.

Variable Consideration

When a contract includes variable consideration, the Company evaluates the estimate of the variable consideration to determine whether the estimate needs to be constrained. Variable consideration is estimated at the most likely amount that is expected to be earned. Estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. Estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of the anticipated performance and all information (historical, current and forecasted) that is reasonably available. Variable consideration estimates are updated at each reporting date. Revenues are recorded net of variable consideration, such as discounts and allowances.

Warranties

The Company provides product warranties with varying terms and durations for some of its products. The Company estimates product warranty costs and accrues for these costs as products are sold with a charge to cost of sales. Factors considered in estimating warranty costs include historical and projected warranty claims, historical and projected cost-per-claim, and knowledge of specific product issues that are outside of typical experience. Warranty accruals are evaluated and adjusted as necessary based on actual claims experience and changes in future claim and cost estimates.

Product warranty accrued liabilities totaled \$0.2 million at September 30, 2021 and December 31, 2020, respectively, and are included in accounts payable and other accrued expenses. Warranty expense was not material for the three and nine months ended September 30, 2021 and 2020.

Incremental Direct Costs

Incremental direct costs are expensed when incurred when the amortization period of the asset that would have been recognized is one year or less; otherwise, incremental contract costs are recognized as an asset and amortized over time as promised goods and services are transferred to a customer. Incremental direct costs were not material for the three and nine months ended September 30, 2021 and 2020.

The Company expenses incremental direct costs of obtaining a contract (sales commissions) when incurred because the amortization period is generally 12 months or less. The Company does not incur costs to fulfill a customer contract that meet the requirements for capitalization.

Contract Assets

Typically, we invoice the customer and recognize revenue once we have satisfied our performance obligation. Accordingly, our contract assets comprise accounts receivable, which are recognized when payment is unconditional and only the passage of time is required before payment is due. Generally, we do not have material amounts of other contract assets since revenue is recognized as control of goods is transferred or as services are performed.

Contract Liabilities (Deferred Revenue)

Contract liabilities are recorded when cash payments are received in advance of the Company's performance. Deferred revenue was \$0.3 million and \$0.3 million at September 30, 2021 and 2020, respectively. During the nine months ended September 30, 2021, the Company recognized revenues of \$0.3 million from the related contract liabilities outstanding as the services were performed.

Nature of Goods and Services

The Company provides Cryoport Express® Shippers to its customers and charges a fee in exchange for the use of the Cryoport Express® Shipper under long-term master service agreements with customers. The Company's arrangements convey to the customers the right to use the Cryoport Express® Shippers over a period of time. The Company retains title to the Cryoport Express® Shippers and provides its customers the use of the Cryoport Express® Shipper for a specified shipping cycle. At the culmination of the customer's shipping cycle, the Cryoport Express® Shipper is returned to the Company.

The Company recognizes revenue for the use of the Cryoport Express® Shippers at the time of the delivery of the Cryoport Express® Shipper to the end user of the enclosed materials, and at the time that collectability is probable.

The Company also provides vacuum insulated aluminum dewars and cryogenic freezers systems to its customers. Revenue is recognized when the Company satisfies performance obligations by transferring the equipment to a customer, and at the time that collectability is probable.

The Company also provides global temperature-controlled logistics services, support and management. Revenue is recognized for these services as services are rendered and at the time that collectability is probable.

The Company also provides comprehensive and integrated temperature-controlled biostorage solutions to customers in the life sciences industry and charges a fee under long-term master service agreements with customers. These services include (1) biological specimen cryopreservation storage and maintenance, (2) archiving, monitoring, tracking, receipt and delivery of samples, (3) transport of frozen biological specimens to and from customer locations, and (4) management of incoming and outgoing biological specimens. The Company recognizes revenue for its biostorage solutions as services are rendered over time and at the time that collectability is probable.

The Company also provides short-term logistics and engineering consulting services to some customers, with fees tied to the completion of contractually defined services. We recognize revenue from these services over time as the customer simultaneously receives and consumes the benefit of these services as they are performed.

A significant portion of our revenues are covered under long-term agreements. We have determined that individual Statements of Work or Scope of Work ("SOW"), whose terms and conditions taken with a Master Services Agreement ("MSA"), create the Topic 606 contracts which are generally short-term in nature (e.g., 15-day shipping cycle) for the Cryoport Express® solutions and up to 12 months for biostorage solutions. Our agreements (including SOWs) generally do not have multiple performance obligations and, therefore, do not require an allocation of a single price amongst multiple goods or services. Prices under these agreements are generally fixed.

Revenue Disaggregation

The Company views its operations, makes decisions regarding how to allocate resources and manages its business as one reportable segment and one reporting unit. As a result, the financial information disclosed herein represents all of the material financial information related to the Company. When disaggregating revenue, the Company considered all of the economic factors that may affect its revenues. We consider sales disaggregated by end-market to depict how the nature, amount, timing and uncertainty of revenues and cash flows are impacted by changes in economic factors. The following table disaggregates our revenues by major markets for the three and nine months ended September 30, 2021 and 2020 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Biopharma/Pharma	\$ 46,001	\$ 9,760	\$ 133,878	\$ 27,120
Animal Health	8,261	223	25,655	664
Reproductive Medicine	2,431	1,189	6,635	2,551
Total revenues	<u>\$ 56,693</u>	<u>\$ 11,172</u>	<u>\$ 166,168</u>	<u>\$ 30,335</u>

Given that the Company's revenues are generated in different geographic regions, factors such as regulatory and geopolitical factors within those regions could impact the nature, timing and uncertainty of the Company's revenues and cash flows. Our geographical revenues, by origin, for the three and nine months ended September 30, 2021 and 2020, were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Americas	\$ 30,307	\$ 8,750	\$ 87,177	\$ 23,837
Europe, the Middle East and Africa (EMEA)	14,382	2,009	43,632	5,704
Asia Pacific (APAC)	12,004	413	35,359	794
Total revenues	<u>\$ 56,693</u>	<u>\$ 11,172</u>	<u>\$ 166,168</u>	<u>\$ 30,335</u>

Cost of Services Revenues

Our cost of services revenues is primarily comprised of freight charges, payroll and associated expenses related to our global logistics and supply chain centers, depreciation expenses of our Cryoport Express[®] Shippers and supplies and consumables used for our solutions.

Cost of Product Revenues

Our cost of product revenues is primarily comprised of materials, direct and indirect labor, inbound freight charges, purchasing and receiving, inspection, and distribution and warehousing of inventory. In addition, shop supplies, facility maintenance costs and depreciation expense for assets used in the manufacturing process are included in cost of product revenues.

Engineering and Development Expenses

Expenditures relating to engineering and development are expensed in the period incurred to engineering and development expense in the statement of operations.

Acquisition Costs

Acquisition costs consist of legal, accounting, third-party valuations, and other due diligence costs related to our acquisitions.

Stock-Based Compensation

Under our stockholder approved stock-based compensation plan, we have granted incentive stock options, non-qualified stock options and restricted stock units that vest over four years. Incentive and non-qualified stock options expire from seven to ten years from date of grant. The Company accounts for stock-based payments in accordance with stock-based payment accounting guidance which requires all stock-based payments to be recognized based upon their fair values. The fair value of stock options is estimated at the grant date using the Black-Scholes Option Pricing Model (“Black-Scholes”) and the portion that is ultimately expected to vest is recognized as compensation cost over the requisite service period. The determination of fair value using Black-Scholes is affected by the Company’s stock price as well as assumptions regarding a number of complex and subjective variables, including expected stock price volatility, risk-free interest rate, expected dividends and expected term. The Company accounts for forfeitures of unvested awards as they occur.

The grant date fair value per share for restricted stock units is based upon the closing market price of our common stock on the award grant date.

The Company’s stock-based compensation plans are discussed further in Note 14.

Basic and Diluted Net Loss Per Share

We calculate basic and diluted net loss per share using the weighted average number of common shares outstanding during the periods presented. In periods of a net loss position, basic and diluted weighted average common shares are the same. For the diluted earnings per share calculation, we adjust the weighted average number of common shares outstanding to include dilutive stock options, warrants, unvested restricted stock units and shares associated with the conversion of the Senior Notes and convertible preferred stock outstanding during the periods.

The following shows the amounts used in computing net loss per share (in thousands except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Net loss	\$ (6,526)	\$ (11,418)	\$ (15,442)	\$ (21,164)
Paid-in-kind dividend on Series C convertible preferred stock	(2,000)	—	(6,196)	—
Net loss attributable to common shareholders	<u>\$ (8,526)</u>	<u>\$ (11,418)</u>	<u>\$ (21,638)</u>	<u>\$ (21,164)</u>
Weighted average common shares issued and outstanding - basic and diluted	<u>46,137,147</u>	<u>39,144,916</u>	<u>45,220,319</u>	<u>38,211,327</u>
Basic and diluted net loss per share	<u>\$ (0.18)</u>	<u>\$ (0.29)</u>	<u>\$ (0.48)</u>	<u>\$ (0.55)</u>

The following table sets forth the number of shares excluded from the computation of diluted loss per share, as their inclusion would have been anti-dilutive:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Stock options	5,727,495	5,823,629	5,673,387	4,932,353
Restricted stock units	361,791	—	361,791	—
Series C convertible preferred stock	5,283,411	—	5,283,411	—
Convertible senior notes	4,810,002	4,810,002	4,810,002	4,810,002
	<u>16,182,699</u>	<u>10,633,631</u>	<u>16,128,591</u>	<u>9,742,355</u>

Foreign Currency Transactions

Management has determined that the functional currency of its subsidiaries is the local currency. Assets and liabilities of the Netherlands and United Kingdom subsidiaries are translated into U.S. dollars at the period-end exchange rates. Income and expenses are translated at an average exchange rate for the period and the resulting translation gain (loss) adjustments are accumulated as a separate component of stockholders' equity. The translation gain (loss) adjustment totaled \$(3.6) million and \$0 for the nine months ended September 30, 2021 and 2020, respectively. Foreign currency gains and losses from transactions denominated in other than respective local currencies are included in earnings.

Off-Balance Sheet Arrangements

We do not currently have any off-balance sheet arrangements.

Reclassification

Prior year amounts in sales and marketing expense have been reclassified to selling, general and administrative expense to conform to the current period presentation, which reflects how the Company tracks operating costs. These reclassifications had no effect on the previously reported net loss.

Recently Adopted Accounting Pronouncements

In August 2020, the FASB issued ASU 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity. Under ASU 2020-06, the embedded conversion features are no longer separated from the host contract for convertible instruments with conversion features that are not required to be accounted for as derivatives under Topic 815, *Derivatives and Hedging*, or that do not result in substantial premiums accounted for as paid-in capital. Consequently, a convertible debt instrument will be accounted for as a single liability measured at its amortized cost, as long as no other features require bifurcation and recognition as derivatives. Similarly, equity-classified convertible preferred stock instruments will be accounted for as single units of account in equity unless the conversion feature needs to be bifurcated under Topic 815. The new guidance also made amendments to the earnings per share guidance in Topic 260, *Earnings Per Share*, for convertible instruments, the most significant impact of which is requiring the use of the if-converted method for diluted earnings per share calculation. Further, ASU 2020-06 made revisions to Topic 815-40, which provides guidance on how an entity must determine whether a contract qualifies for a scope exception from derivative accounting. ASU 2020-06 is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. Adoption of the standard requires using either a modified retrospective or a full retrospective approach. Effective January 1, 2021, we early adopted ASU 2020-06 using the modified retrospective approach. Adoption of the new standard did not have a material impact on the Company's consolidated financial statements or disclosures.

In January 2020, the FASB issued ASU 2020-01, "Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815): Clarifying the Interactions between Topic 321, Topic 323, and Topic 815." The new guidance clarifies the interaction of accounting for the transition into and out of the equity method and the accounting for measuring certain purchased options and forward contracts to acquire investments. ASU 2020-01 is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. We adopted this guidance on January 1, 2021. The adoption of this guidance did not have an impact on the Company's consolidated financial statements or disclosures.

Accounting Guidance Issued but Not Adopted at September 30, 2021

In July 2021, the FASB issued ASU 2021-05, "Leases (Topic 842): Lessors—Certain Leases with Variable Lease Payments." Under this ASU, lessors should classify and account for a lease with variable lease payments that do not depend on a reference index or a rate as an operating lease if both of the following criteria are met: (1) the lease would have been classified as a sales-type lease or a direct financing lease in accordance with the classification criteria in Topic 842 and (2) the lessor would have otherwise recognized a day-one loss. ASU 2021-05 is effective for fiscal years beginning after December 15, 2021 and interim periods within those fiscal years for all public business entities. We are currently evaluating the impact of this standard on our consolidated financial statements.

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In May 2021, the FASB issued ASU 2021-04, “Earnings Per Share (Topic 260), Debt — Modifications and Extinguishments (Subtopic 470-50), Compensation — Stock Compensation (Topic 718), and Derivatives and Hedging — Contracts in Entity’s Own Equity (Subtopic 815-40): Issuer’s Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options (a consensus of the Emerging Issues Task Force).” ASU 2021-04 requires issuers to account for modifications or exchanges of freestanding equity-classified written call options that remain equity classified after the modification or exchange based on the economic substance of the modification or exchange. Under the guidance, an issuer determines the accounting for the modification or exchange based on whether the transaction was done to issue equity, to issue or modify debt, or for other reasons. ASU 2021-04 is applied prospectively and is effective for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. We are currently evaluating the impact of this standard on our consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, “Measurement of Credit Losses on Financial Instruments.” This ASU replaces the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information for credit loss estimates on certain types of financial instruments, including trade receivables. In addition, new disclosures are required. The ASU, as subsequently amended, is effective for the Company for fiscal years beginning after December 15, 2022. We are currently evaluating the impact of adopting this guidance.

Note 4. Acquisitions

2021 Acquisitions

In the second quarter of 2021, we completed the acquisitions of Critical Transport Solutions Australia (CTSA) in Australia and F-airGate in Belgium to further enhance our existing global temperature-controlled supply chain capabilities in the APAC and EMEA regions. The combined purchase consideration was \$6.8 million, of which \$2.7 million was allocated to goodwill and \$2.8 million to identifiable intangible assets. The combined purchase consideration also included a contingent consideration liability of \$0.6 million. The acquisitions include earnout provisions subject to achieving future EBITDA targets, as defined through 2025. The goodwill amount represents synergies related to our existing logistics management services. The acquired goodwill and intangible assets are not deductible for tax purposes.

2020 Acquisitions

CRYOPDP Acquisition

On October 1, 2020, the Company completed its acquisition of CRYOPDP for a cash consideration of €48.3 million (approximately \$57.0 million), subject to customary closing working capital and other adjustments. This acquisition was funded with existing cash on hand. CRYOPDP, based in France, is a leading global provider of innovative temperature-controlled logistics solutions to the clinical research, pharmaceutical and cell and gene therapy markets. CRYOPDP conducts its business activities in the Americas, EMEA and APAC. As a result of the CRYOPDP Acquisition, the Company has extended its solutions to include broader temperature-controlled logistics and specialty courier services and has significantly expanded its global network through CRYOPDP’s 22 facilities in 12 countries.

The final purchase price for the CRYOPDP Acquisition was \$56.7 million, after receiving \$0.3 million net working capital settlement from the sellers during the nine months ended September 30, 2021. As of October 1, 2020, the Company recorded net assets acquired of \$57.0 million, including goodwill of \$25.5 million. Through September 30, 2021, the Company recorded measurement period adjustments of \$1.2 million, mainly comprised of \$0.8 million deferred tax adjustments and \$0.3 million fair value on the note payable, resulting in adjusted goodwill of \$24.3 million and adjusted net assets acquired of \$56.7 million.

MVE Acquisition

On October 1, 2020, the Company completed its acquisition of Chart Industries, Inc.’s MVE cryobiological storage business for a cash consideration of \$317.5 million, subject to customary closing working capital and other adjustments. The Company financed a portion of the closing cash payment of the MVE Acquisition with the net proceeds of the Blackstone Private Placement, as further discussed in Note 13. MVE is a global leader in manufactured vacuum insulated products and cryogenic freezer systems for the life sciences industry. MVE has manufacturing and distribution operations in the Americas, EMEA and APAC. As a result of the MVE Acquisition, the Company has extended its integrated logistics solutions to provide a broad range of cryogenic dewars and freezers to the life sciences industry.

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The final purchase price for the MVE Acquisition was \$318.0 million, after paying \$0.5 million net working capital settlement to the sellers during the nine months ended September 30, 2021. As of October 1, 2020, the Company recorded net assets acquired of \$317.5 million, including goodwill of \$106.2 million. Through September 30, 2021, the Company recorded a measurement period adjustment of \$0.5 million relating to the final working capital settlement paid to the sellers, resulting in adjusted goodwill of \$106.7 million and adjusted net assets acquired of \$318.0 million.

Note 5. Cash, Cash Equivalents and Short-Term Investments

Cash, cash equivalents and short-term investments consisted of the following as of September 30, 2021 and December 31, 2020 (in thousands):

Cash, cash equivalents and short-term investments consisted of the following as of September 30, 2021 and December 31, 2020 (in thousands):

	September 30, 2021	December 31, 2020
Cash	\$ 29,296	\$ 25,053
Cash equivalents:		
Money market mutual fund	14,384	11,820
Total cash and cash equivalents	43,680	36,873
Short-term investments:		
U.S. Treasury notes and bills	153,377	23,309
Mutual funds	110,060	33,135
Corporate debt securities	42,365	—
Total short-term investments	305,802	56,444
Cash, cash equivalents and short-term investments	\$ 349,482	\$ 93,317

Available-for-sale investments

The amortized cost, gross unrealized gains, gross unrealized losses and fair value of available-for-sale investments by type of security at September 30, 2021 were as follows (in thousands):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury notes	\$ 124,171	\$ 13	\$ (802)	\$ 123,382
U.S. Treasury bills	29,987	8	—	29,995
Corporate debt securities	42,991	—	(626)	42,365
Total available-for-sale investments	\$ 197,149	\$ 21	\$ (1,428)	\$ 195,742

The following table summarizes the fair value of available-for-sale investments based on stated contractual maturities as of September 30, 2021:

	Amortized Cost	Fair Value
Due within one year	\$ 42,087	\$ 42,085
Due between one and five years	155,062	153,657
Total	\$ 197,149	\$ 195,742

The amortized cost, gross unrealized gains, gross unrealized losses and fair value of available-for-sale investments by type of security at December 31, 2020 were as follows (in thousands):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury notes	\$ 23,179	\$ 173	\$ (43)	\$ 23,309
Total available-for-sale investments	\$ 23,179	\$ 173	\$ (43)	\$ 23,309

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The following table summarizes the fair value of available-for-sale investments based on stated contractual maturities as of December 31, 2020:

	Amortized Cost	Fair Value
Due within one year	\$ 14,084	\$ 14,111
Due between one and two years	9,095	9,198
Total	<u>\$ 23,179</u>	<u>\$ 23,309</u>

The primary objective of our investment portfolio is to enhance overall returns in an efficient manner while maintaining safety of principal, prudent levels of liquidity and acceptable levels of risk. Our investment policy limits interest-bearing security investments to certain types of debt and money market instruments issued by institutions with primarily investment-grade credit ratings, and it places restrictions on maturities and concentration by asset class and issuer.

We review our available-for-sale investments for other-than-temporary declines in fair value below our cost basis each quarter and whenever events or changes in circumstances indicate that the cost basis of an asset may not be recoverable. The evaluation is based on a number of factors, including the length of time and the extent to which the fair value has been below our cost basis, as well as adverse conditions related specifically to the security such as any changes to the credit rating of the security and the intent to sell or whether we will more likely than not be required to sell the security before recovery of its amortized cost basis. Our assessment of whether a security is other-than-temporarily impaired could change in the future based on new developments or changes in assumptions related to that particular security.

During the three and nine months ended September 30, 2021, we had realized (gains) and losses of (\$0.01) and \$0.08 million, respectively, on available-for-sale investments.

Equity Investments

We held investments in equity securities with readily determinable fair values of \$110.1 million at September 30, 2021. These investments consist of mutual funds that invest primarily in tax-free municipal bonds and treasury inflation protected securities.

Unrealized gains (losses) during 2021 and 2020 related to equity securities held at September 30, 2021 and 2020 are as follows (in thousands):

	September 30,	
	2021	2020
Net losses recognized during the nine months ended September 30 on equity securities	\$ (308)	\$ (367)
Less: net gains (losses) recognized during the year on equity securities sold during the period	—	(805)
Unrealized gains (losses) recognized during the nine months on equity securities still held at September 30, 2021 and 2020	<u>\$ (308)</u>	<u>\$ 438</u>

Note 6. Fair Value Measurements

We measure fair value based on the prices that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are based on a three-tier hierarchy that prioritizes the inputs used to measure fair value. These tiers include the following:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable prices that are based on inputs not quoted on active markets, but corroborated by market data. These inputs include quoted prices for similar assets or liabilities; quoted market prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

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In determining fair value, we utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, as well as consider counterparty credit risk in the assessment of fair value.

The Company did not elect the fair value option, as allowed, to account for financial assets and liabilities that were not previously carried at fair value. Therefore, material financial assets and liabilities that are not carried at fair value, such as trade accounts receivable and payable, are reported at their historical carrying values.

The fair value of the contingent consideration liability for the two acquisitions completed during the second quarter of 2021 was valued based on unobservable inputs using a Monte Carlo simulation. These inputs included the estimated amount and timing of projected future revenue, a discount rate, a risk-free rate, asset volatility and revenue volatility. Significant increases (decreases) in any of those inputs in isolation would result in a significantly higher (lower) fair value measurement. As of September 30, 2021, the contingent consideration for both acquisitions combined was determined to have an aggregate fair value of \$0.7 million which is reflected as contingent consideration liability in the accompanying Condensed Consolidated Balance Sheet as of September 30, 2021. The contingent consideration for both acquisitions, if earned, is to be paid in cash in two to four years. Certain assumptions used in estimating the fair value of the contingent consideration are uncertain by nature. Actual results may differ materially from estimates.

The carrying values of our assets that are required to be measured at fair value on a recurring basis as of September 30, 2021 and 2020 approximate fair value because of our ability to immediately convert these instruments into cash with minimal expected change in value which are classified in the table below in one of the three categories of the fair value hierarchy described above (in thousands):

	Fair Value Measurements			Total
	Level 1	Level 2	Level 3	
September 30, 2021				
Cash equivalents:				
Money market mutual fund	\$ 14,384	\$ —	\$ —	\$ 14,384
Marketable equity securities:				
Mutual funds	110,060	—	—	110,060
Available-for-sale debt securities:				
U.S. Treasury notes and bills	153,377	—	—	153,377
Corporate debt securities	42,365	—	—	42,365
	<u>\$ 320,186</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 320,186</u>

	Fair Value Measurements			Total
	Level 1	Level 2	Level 3	
December 31, 2020				
Cash equivalents:				
Money market mutual fund	\$ 11,820	\$ —	\$ —	\$ 11,820
Marketable equity securities:				
Mutual funds	33,135	—	—	33,135
Available-for-sale debt securities:				
U.S. Treasury notes	23,309	—	—	23,309
	<u>\$ 68,264</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 68,264</u>

Our equity securities and available-for-sale debt securities, including U.S. treasury notes and U.S. treasury bills are valued using inputs observable in active markets for identical securities and are therefore classified as Level 1 within the fair value hierarchy.

We did not have any financial liabilities measured at fair value on a recurring basis as of September 30, 2021.

We carry the Senior Notes (see Note 9) at face value less the unamortized discount and issuance costs on our consolidated balance sheets and present fair value for disclosure purposes only. As of September 30, 2021, the estimated fair value of the Senior Notes was \$109.6 million and was determined using the net present value of the payments, discounted at an interest rate that is consistent with market and risk-adjusted interest rates, which is a Level 2 input.

The fair values of contingent consideration classified as Level 3 were derived from management assumptions. There have been no transfers of assets or liabilities between the fair value measurement levels.

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Note 7. Inventory

Inventories consist of the following (in thousands):

	September 30, 2021	December 31, 2020
Raw materials	\$ 10,345	\$ 7,544
Work-in-process	477	227
Finished goods	2,662	2,764
Total	<u>\$ 13,484</u>	<u>\$ 10,535</u>

The inventory balance at December 31, 2020 includes an \$0.8 million step up in inventory related to the acquisition of MVE.

Note 8. Goodwill and Intangible Assets

Goodwill

The following table represents the changes in the carrying value of goodwill for the nine months ended September 30, 2021 and 2020 (in thousands):

	September 30, 2021	September 30, 2020
Balance at beginning of year	\$ 145,282	\$ 11,000
Foreign currency adjustment	(1,093)	—
Goodwill related to MVE acquisition	483	—
Goodwill related to CRYOPDP acquisition	(828)	—
Goodwill related to CTSA and F-airGate acquisitions	2,527	—
Total	<u>\$ 146,371</u>	<u>\$ 11,000</u>

Intangible Assets

The following table presents our intangible assets as of September 30, 2021 (in thousands):

	Gross Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Amortization Period (years)
Non-compete agreement	\$ 390	\$ 182	\$ 208	3
Technology	35,002	3,943	31,059	10
Customer relationships	128,641	9,467	119,174	13
Trade name/trademark	510	104	406	13
Agent network	10,655	2,377	8,278	3
Order backlog	2,600	2,600	—	—
Land use rights	2,378	37	2,341	37
Patents and trademarks	44,462	688	43,774	—
Total	<u>\$ 224,638</u>	<u>\$ 19,398</u>	<u>\$ 205,240</u>	

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The following table presents our intangible assets as of December 31, 2020 (in thousands):

	Gross Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Amortization Period (years)
Non-compete agreement	\$ 390	\$ 123	\$ 267	3
Technology	34,245	1,630	32,615	11
Customer relationships	128,640	2,708	125,932	14
Trade name/trademark	480	51	429	13
Agent network	8,597	537	8,060	4
Order backlog	2,600	2,600	—	—
Land use rights	2,378	16	2,362	37
Patents and trademarks	44,312	69	44,243	—
Total	<u>\$ 221,642</u>	<u>\$ 7,734</u>	<u>\$ 213,908</u>	

Amortization expense for intangible assets for the three and nine months ended September 30, 2021 was \$3.7 million and \$10.8 million, respectively. Amortization expense for intangible assets for the three and nine months ended September 30, 2020 was \$0.1 million and \$0.4 million, respectively.

Expected future amortization of intangible assets as of September 30, 2021 is as follows:

Years Ending December 31,	Amount
Remainder of 2021	\$ 3,704
2022	14,816
2023	14,816
2024	14,187
2025	12,119
Thereafter	99,925
	<u>\$ 159,567</u>

Note 9. Convertible Senior Notes

In May 2020, the Company issued \$115.0 million aggregate principal amount of 3.00% convertible senior notes due in 2025 (the “Senior Notes”), which includes the initial purchasers’ exercise in full of their option to purchase an additional \$15.0 million principal amount of the Senior Notes, in a private placement exempt from registration under the Securities Act of 1933. The Senior Notes are governed by an indenture (the “Indenture”) dated May 26, 2020 between the Company, as issuer, and U.S. Bank National Association, as trustee (the “Trustee”). The Company received \$111.3 million from the offering, net of underwriting discounts and commissions of \$3.7 million, and incurred approximately \$0.3 million in third-party offering related costs. The Senior Notes bear cash interest at a rate of 3.00%, payable semi-annually on June 1 and December 1 of each year, beginning on December 1, 2020 and will mature on June 1, 2025, unless earlier repurchased, redeemed, or converted in accordance with the terms of the Senior Notes. At September 30, 2021, accrued interest of \$1.2 million is included in accounts payable and accrued liabilities in the accompanying consolidated financial statements. The Senior Notes comprise the Company’s senior, unsecured obligations and are (i) equal in right of payment with the Company’s existing and future senior, unsecured indebtedness; (ii) senior in right of payment to the Company’s existing and future indebtedness that is expressly subordinated to the Senior Notes; (iii) effectively subordinated to the Company’s existing and future secured indebtedness, to the extent of the value of the collateral securing that indebtedness; and (iv) structurally subordinated to all existing and future indebtedness and other liabilities, including trade payables, and (to the extent the Company is not a holder thereof) preferred equity, if any, of the Company’s subsidiaries.

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At any time before the close of business on the scheduled trading day immediately before the maturity date, holders of the Senior Notes may convert their Senior Notes at their option into shares of the Company's common stock. The Senior Notes are initially convertible into approximately 4,810,002 shares of the Company's common stock based on the initial conversion rate of 41.8261 shares of the Company's common stock per \$1,000 principal amount of the Senior Notes, which represents an initial conversion price of approximately \$23.91 per share of the Company's common stock. The conversion rate and conversion price are subject to customary adjustments upon the occurrence of certain events. Also, if certain corporate events that constitute a "Make-Whole Fundamental Change" (as defined in the Indenture) occur, then the conversion rate will, in certain circumstances, be increased for a specified period of time and is determined by reference to a make-whole table set forth in the Indenture governing the Senior Notes. However, in no event will the conversion rate be increased to an amount that exceeds 48.10 shares of the Company's common stock per \$1,000 principal amount of Senior Notes. In addition, the holders of the Senior Notes may require the Company to repurchase the Senior Notes at par value plus accrued and unpaid interest following the occurrence of a "Fundamental Change" (as described in the Indenture).

On or after June 5, 2023, the Company may redeem the Senior Notes at its option, in whole and not in part, at a cash redemption price equal to the principal amount of the Senior Notes to be redeemed, plus accrued and unpaid interest, if any, if:

- (1) The last reported sale price per share of the Company's common stock exceeds 130% of the conversion price on (i) each of at least 20 trading days, whether or not consecutive, during the 30 consecutive trading days ending on, and including, the trading day immediately before the date the Company send the related redemption notice; and (ii) the trading day immediately before the date the Company sends such notice; and
- (2) A registration statement covering the resale of the shares of the Company's common stock issuable upon conversion of the Senior Notes is effective and available for use and is expected to remain effective and available during the redemption period as of the date the redemption notice is sent.

The Senior Notes contain customary terms and events of default. If an event of default arising out of certain events of bankruptcy, insolvency, or reorganization involving the Company or a significant subsidiary (as set forth in the Indenture) occurs with respect to the Company, the principal amount of the Senior Notes and accrued and unpaid interest, if any, will automatically become immediately due and payable. If any other event of default (as defined in the Indenture) occurs and is continuing, either the Trustee or the holders of at least 25% in aggregate principal amount of the outstanding Senior Notes may declare the principal amount of the Senior Notes to be due and payable immediately by notice to the Company. There were no events of default at September 30, 2021.

The Senior Notes are accounted for in accordance with ASC 470-20, *Debt with Conversion and Other Options* ("ASC 470-20") and ASC 815-40, *Contracts in Entity's Own Equity* ("ASC 815-40"). Under ASC 815-40, to qualify for equity classification (or nonbifurcation, if embedded) the instrument (or embedded feature) must be both (1) indexed to the issuer's stock and (2) meet the requirements of the equity classification guidance. Based upon the Company's analysis, it was determined the Senior Notes do contain embedded features indexed to its own stock, but do not meet the requirements for bifurcation, and therefore do not need to be separately accounted for as an equity component. Since the embedded conversion feature meets the equity scope exception from derivative accounting, and also since the embedded conversion option does not need to be separately accounted for as an equity component under ASC 470-20, the proceeds received from the issuance of the convertible debt was recorded as a liability on the consolidated balance sheet.

The Company incurred approximately \$4.1 million of debt issuance costs relating to the issuance of the Senior Notes, which were recorded as a reduction to the Senior Notes on the consolidated balance sheet. The debt issuance costs are being amortized and recognized as additional interest expense over the expected life of the Senior Notes using the effective interest rate method. We determined the expected life of the debt is equal to the five-year term of the Senior Notes. The effective interest rate on the Senior Notes is 3.74%.

Senior Notes payable consisted of the following at September 30, 2021 (in thousands):

	<u>September 30, 2021</u>
Principal amount of Senior Notes	\$ 115,000
Unamortized debt issuance costs	(3,076)
Net carrying value of Senior Notes payable	<u>\$ 111,924</u>

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Interest expense incurred in connection with the Senior Notes consisted of the following for the three and nine months ended September 30, 2021 (in thousands):

	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2021
Coupon interest	\$ 885	\$ 2,600
Amortization of debt issuance costs	194	579
Total interest expense on Notes	<u>\$ 1,079</u>	<u>\$ 3,179</u>

The Company's Senior Notes payable of \$115.0 are due and payable in 2025.

In connection with the issuance of the Senior Notes, the Company entered into a registration rights agreement (the "Registration Rights Agreement") to use its best efforts to file a registration statement for the resale of the Senior Notes and the shares of the Company's common stock issuable upon conversion of the Senior Notes, to cause the registration statement to become effective by January 31, 2021, and to keep the registration statement continuously effective for a specified period of time. If the Company fails to satisfy certain of its obligations under the Registration Rights Agreement (a "Registration Default"), it will be required to pay additional interest on the Senior Notes. Such additional interest will accrue at a rate per annum equal to 0.25% of the principal amount thereof for the first 90 days beginning on, and including the date on which such Registration Default occurs and, thereafter, at a rate per annum equal to 0.50% of the principal amount thereof. However, in no event will such additional interest, together with any special interest that accrues pursuant to the Indenture accrue on any day on a Note at a combined rate per annum that exceeds 0.50%. Additionally, if a Registration Default exists on the maturity date for the Senior Notes, then, in addition to any additional interest otherwise payable, the Company will be required to make a cash payment to each noteholder in an amount equal to 3% of the principal amount of Senior Notes outstanding and held by such holder as of the close of business on the business day immediately before the maturity date. As of September 30, 2021, the Company has not accrued any fees or expenses associated with the Registration Rights Agreement as no Registration Default exists and, therefore, it is not probable that a payment would be required. In December 2020, the Company filed an automatic shelf registration statement to register the resale of the Senior Notes and the shares of the Company's common stock issuable upon conversion of the Senior Notes.

Note 10. Note Payable

In connection with the acquisition of CRYOPDP, the Company assumed an interest free unsecured note payable of €4.0 million (\$4.8 million) repayable in two installments. The first installment of €3.0 million (\$3.6 million) is to be repaid no later than December 31, 2021 and the second installment of €1.0 million (\$1.2 million) is to be repaid no later than December 31, 2022. On July 7, 2021, in connection with the original terms and understanding of the repayment of the acquired debt as part of the acquisition, the repayments terms of the note payable were finalized, as described above. A fair market value discount of €0.2 million (\$0.3 million) was recorded and is amortized to interest expense using the effective interest method over the term of the note. During the three and nine months ended September 30, 2021, the Company amortized €0.04 million (\$0.05 million) and €0.1 million (\$0.2 million), respectively, of the debt discount to interest expense for this note.

Note 11. Leases

The Company has operating and finance leases for corporate offices and certain equipment. These leases have remaining lease terms of one year to approximately nine years, some of which include options to extend the leases for multiple renewal periods of five years each. Under the terms of the facilities leases, the Company is required to pay its proportionate share of property taxes, insurance and normal maintenance costs. As of September 30, 2021 and December 31, 2020, assets recorded under finance leases were \$0.3 million and \$0.3 million, respectively, and accumulated depreciation associated with finance leases was \$0.1 million and \$0.08 million, respectively.

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The components of lease cost were as follows (in thousands):

	September 30,	
	2021	2020
Operating lease cost	\$ 3,162	\$ 971
Finance lease cost:		
Amortization of right-of-use assets	46	30
Interest on finance lease liabilities	6	8
	52	38
Total lease cost	<u>\$ 3,214</u>	<u>\$ 1,009</u>

Other information related to leases was as follows (in thousands):

Supplemental Cash Flows Information	Nine Months Ended September 30, 2021	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$	2,862
Operating cash flows from finance leases	\$	52
Financing cash flows from finance leases	\$	46
Right-of-use assets obtained in exchange for lease liabilities (in thousands):		
Operating leases	\$	6,810
Finance leases	\$	—
Weighted-Average Remaining Lease Term		
Operating leases		6.0 years
Finance leases		2.3 years
Weighted-Average Discount Rate		
Operating leases		5.3 %
Finance leases		5.3 %

Future minimum lease payments under non-cancellable leases that have commenced as of September 30, 2021 were as follows (in thousands):

Years Ending December 31	Operating Leases	Finance Leases
2021 (excluding the nine months ended September 30, 2021)	\$ 259	\$ 14
2022	3,137	58
2023	2,739	61
2024	2,480	—
2025	2,213	—
Thereafter	12,379	—
Total future minimum lease payments	23,207	133
Less imputed interest	(4,032)	(8)
Total	<u>\$ 19,175</u>	<u>\$ 125</u>
Reported as of September 30, 2021		
Current lease liabilities	\$ 2,820	\$ 61
Noncurrent lease liabilities	16,355	64
Total	<u>\$ 19,175</u>	<u>\$ 125</u>

Note 12. Commitments and Contingencies

Facility and Equipment Leases

We lease various corporate, global logistics and supply chain centers, biostorage, manufacturing, and research and development facilities in certain states and countries including, Tennessee, California, New Jersey, Texas, Georgia, Minnesota, the Netherlands, China, Portugal and France under operating leases. These lease agreements contain certain scheduled annual rent increases which are accounted for on a straight-line basis. In addition, we lease certain equipment which expires through July 2024 (See Note 11).

Employment Agreements

We have entered into employment agreements with certain of our officers under which payment and benefits would become payable in the event of termination by us for any reason other than cause, or upon a change in control of our Company, or by the employee for good reason.

Litigation

The Company may become a party to product litigation in the normal course of business. The Company accrues for open claims based on its historical experience and available insurance coverage. We record a loss contingency when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. We also disclose material contingencies when we believe a loss is not probable but reasonably possible. Accounting for contingencies requires us to use judgment related to both the likelihood of a loss and the estimate of the amount or range of loss. The outcomes of our legal proceedings are inherently unpredictable, subject to significant uncertainties, and could be material to our financial condition, results of operations, and cash flows for a particular period.

Indemnities and Guarantees

The Company has made certain indemnities and guarantees, under which it may be required to make payments to a guaranteed or indemnified party, in relation to certain actions or transactions. The guarantees and indemnities do not provide for any limitation of the maximum potential future payments the Company could be obligated to make. Historically, the Company has not been obligated nor incurred any payments for these obligations and, therefore, no liabilities have been recorded for these indemnities and guarantees in the accompanying consolidated balance sheets.

The Company indemnifies its directors, officers, employees and agents, as permitted under the laws of the States of California and Nevada. In connection with its facility and equipment leases, the Company has indemnified its lessors for certain claims arising from the use of the facilities and equipment. The duration of the guarantees and indemnities varies and is generally tied to the life of the agreements.

Note 13. Stockholders' Equity

Authorized Stock

The Company has 100,000,000 authorized shares of common stock with a par value of \$0.001 per share, and 2,500,000 undesignated or "blank check" preferred stock, with a par value of \$0.001, of which 800,000 shares have been designated as Class A Preferred Stock, 585,000 shares have been designated as Class B Preferred Stock and 250,000 shares have been designated as 4.0% Series C Convertible Preferred Stock.

Common Stock Issued for Services

During the nine months ended September 30, 2021, 229 shares of common stock with a fair value of \$11,500 were issued to one member of the board of directors as compensation for services.

During the nine months ended September 30, 2020, 2,400 shares of common stock with a fair value of \$62,000 were issued to two members of the board of directors as compensation for services.

January 2021 Public Offering

On January 25, 2021, the Company completed an underwritten public offering of 4,356,059 shares of its common stock. The shares were issued and sold pursuant to an underwriting agreement dated January 20, 2021, by and among the Company, on the one hand, and Morgan Stanley & Co. LLC, Jefferies LLC, SVB Leerink LLC and UBS Securities LLC, as representatives of certain underwriters, at a public offering price per share of \$66.00, before deducting underwriting discounts and commissions. The shares include 568,181 shares issued and sold pursuant to the underwriters' exercise in full of their option to purchase additional shares of common stock pursuant to the underwriting agreement. The Company received net proceeds of approximately \$269.8 million from the offering after deducting underwriting discounts and commissions and offering expenses paid by the Company.

Blackstone Private Placement

In connection with the MVE Acquisition, on October 1, 2020 (the "Closing Date"), the Company completed a private placement with an investment vehicle of funds affiliated with The Blackstone Group Inc. (collectively, "Blackstone"), consisting of (i) 250,000 shares of a newly designated 4.0% Series C Convertible Preferred Stock, par value \$0.001 per share ("Series C Preferred Stock"), at a price of \$1,000 per share, for \$250.0 million, and (ii) 675,536 shares of common stock of the Company, par value \$0.001 per share ("Common Stock"), for \$25.0 million, for an aggregate purchase price of \$275.0 million. The Company paid Blackstone \$1.0 million as reimbursement for transactional expenses incurred in connection with the private placement at the Closing Date. Also, the Company incurred direct and incremental expenses of approximately \$8.6 million, including financial advisory fees, closing costs, legal expenses and other offering-related expenses. The Company allocated the net proceeds of \$265.4 million on a relative fair value basis to the Series C Preferred Stock and the Common Stock, resulting in allocated proceeds of \$28.2 million and \$237.2 million, respectively.

The Series C Preferred Stock ranks senior to the shares of the Company's Common Stock, with respect to dividend rights and rights upon the voluntary or involuntary liquidation, dissolution, or winding up of the affairs of the Company (a "Liquidation"). The Series C Preferred Stock has the following rights, preferences and privileges:

Dividend Rights. Holders of the Series C Preferred Stock (the "Holders") are entitled to dividends at the rate of 4.0% per annum, paid-in-kind, accruing daily and paid quarterly in arrears when and if declared by the Board of Directors. The Holders are also entitled to participate in dividends declared or paid on the Common Stock on an as-converted basis. The Company and Holders do not have the option to pay dividends in kind, in cash, or in other form. Paid in-kind dividends for the nine months ended September 30, 2021 and the year ended December 31, 2020 were \$6.2 million and \$2.5 million, respectively.

Liquidation Preference. Upon a Liquidation, each share of Series C Preferred Stock is entitled to receive an amount per share equal to the greater of (i) \$1,000 per share, plus all accrued and unpaid dividends and (ii) the amount that the Holders of the Series C Preferred Stock would have been entitled to receive at such time if the Series C Preferred Stock were converted into Common Stock (the "Liquidation Preference").

Conversion Features. The Series C Preferred Stock is convertible at the option of the Holders at any time into shares of Common Stock at a conversion price of \$38.6152 per share and a conversion rate of 25.90 shares of Common Stock per share of Series C Preferred Stock. At the Closing Date, the maximum number of shares of Common Stock that could be required to be issued if converted was 6,474,135 shares. The conversion price is subject to certain customary adjustments in the event of certain adjustments to the Company's Common Stock, including stock dividends, splits, combinations, tender offers, and exchange offers.

After the second anniversary of the Closing Date, subject to certain conditions, the Company may at its option require conversion of all of the outstanding shares of the Series C Preferred Stock to Common Stock if, for at least 20 trading days during the 30 consecutive trading days immediately preceding the date the Company notifies the Holders of the election to convert, the closing price of the Common Stock is at least 150% of the conversion price.

On the October 1, 2020 issuance date, the effective conversion price per share was less than the fair value of the underlying Common Stock and, as a result, the Company determined that there was a beneficial conversion feature on that date. Accordingly, the Company recognized the resulting beneficial conversion feature amount of \$39.5 million as a deemed dividend, equal to the number of common shares into which the Series C Preferred Stock is convertible multiplied by the difference between the fair value of the Common Stock and the effective conversion price per share on that date. Because the Series C Preferred Stock does not have a stated conversion date and was immediately convertible at the issuance date, the dividend is reflected as a one-time, non-cash, deemed dividend to the Holders of the Series C Preferred Stock on the date of issuance.

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Additionally, the Company determined that the nature of the Series C Preferred Stock is more akin to an equity instrument and that the economic characteristics and risks of the embedded conversion options are clearly and closely related to the Series C Preferred Stock. As such, the conversion options were not required to be bifurcated from the host under ASC 815, *Derivatives and Hedging*.

Since the paid-in-kind dividends are nondiscretionary, the Company measures the beneficial conversion feature of the paid-in-kind dividends on the issuance date of the preferred stock and records such amount when the paid-in-kind dividends are accrued. Accordingly, the associated paid-in-kind dividends for the year ended December 31, 2020 generated a beneficial conversion feature amount of \$0.3 million. On February 5, 2021, the Company received a waiver and conversion notice from Blackstone Freeze Parent L.P. and Blackstone Tactical Opportunities Fund – FD L.P. and converted an aggregate of 50,000 shares of the Series C Preferred Stock (see “—Blackstone Conversion” below for additional information).

Redemption Rights. The Company may redeem the Series C Preferred Stock for cash, as follows:

- (i) At any time beginning five years after the Closing Date (but prior to six years after the Closing Date), all of the Series C Preferred Stock at a price equal to 105% of the purchase price paid plus any accrued and unpaid dividends.
- (ii) At any time beginning six years after the Closing Date, all of the Series C Preferred Stock at a price equal to 100% of the purchase price paid plus any accrued and unpaid dividends.

Upon a “Fundamental Change” (involving a change of control or de-listing of the Company as further described in the Certificate of Designation), each Holder has the right to require the Company to redeem all or any part of the Holder’s Series C Preferred Stock for an amount equal to the Liquidation Preference plus any accrued and unpaid dividends. If the Company does not have sufficient funds legally available to pay the repurchase price, then the Company is required to (a) pay the maximum amount of the repurchase price that can be paid out of funds legally available for payment, and (b) purchase any shares of the Series C Preferred Stock not purchased because of the foregoing limitations at the repurchase price as soon as practicable after the Company is able to make such purchase out of assets legally available for the purchase of such shares. If the Company fails to pay the repurchase price in full when due, then the Company will pay dividends on such shares not repurchased at a rate of 5.5% per annum until such shares are repurchased, payable quarterly in arrears.

The Company evaluated the Series C Preferred Stock for liability or equity classification under the applicable accounting guidance including ASC 480, *Distinguishing Liabilities from Equity*, and determined that equity treatment was appropriate because the Series C Preferred Stock did not meet the definition of the liability instruments defined thereunder for convertible instruments. Specifically, the convertible preferred shares are not mandatorily redeemable and do not embody an obligation to buy back the shares outside of the Company’s control in a manner that could require the transfer of assets. Additionally, the Company determined that the Series C Preferred Stock would be recorded as permanent equity given that they are not redeemable for cash or other assets (i) on a fixed or determinable date, (ii) at the option of the holder, or (iii) upon the occurrence of an event that is not solely within control of the Company.

The Company also evaluated the embedded put and call options within the Series C Preferred Stock in accordance with the accounting guidance for derivatives to determine if bifurcation is required. The Company determined that the economic characteristics and risks of the embedded put and call options are not clearly and closely related to the Series C Preferred Stock. Therefore, the Company assessed the put and call options further and determined they did not meet the definition of a derivative under ASC 815.

Under the same analysis, the Company determined that the economic characteristics and risks of the embedded participating dividend feature are considered clearly and closely related to the equity host. Accordingly, the participating dividend feature is not required to be bifurcated under ASC 815. Also, the Company determined that the value of the contingent dividend feature is minimal and insignificant relative to the other components of the Series C Preferred Stock due to the circumstances surrounding the scenarios under which the provision would be triggered.

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Voting Rights. Holders of the Series C Preferred Stock are generally entitled to vote with the holders of the shares of Common Stock on an as-converted basis, subject to certain Nasdaq voting limitations, if applicable. Also, the consent of the Holders of a majority of the outstanding shares of the Series C Preferred Stock is required with respect to (i) amendments to the Company’s organizational documents that have an adverse effect on the Holders of the Series C Preferred Stock, and (ii) issuances by the Company of securities that are senior to, or equal in priority with, the Series C Preferred Stock. Holders of the Series C Preferred Stock have the right to nominate for election one member to the board of directors of the Company for so long as they hold 66.67% of the Series C Preferred Stock issued to them at the Closing Date.

Registration Rights. Holders of the Series C Preferred Stock have certain customary registration rights with respect to the Series C Preferred Stock and the shares of common stock into which they are converted, pursuant to the terms of a registration rights agreement. The Company is required to file within 90 days of the Closing Date, and use its commercially reasonable efforts to cause to go effective as promptly as practicable, a registration statement covering the sale or distribution of Common Stock issued or issuable upon conversion of the Series C Preferred Stock. In December 2020, the Company filed an automatic shelf registration statement to register the resale of the Common Stock issued or issuable upon conversion of the Series C Preferred Stock.

Blackstone Conversion

On February 5, 2021, the Company received a waiver and conversion notice from Blackstone Freeze Parent L.P. and Blackstone Tactical Opportunities Fund – FD L.P. to convert an aggregate of 50,000 shares of the Company’s Series C Preferred Stock. Pursuant to the terms of the waiver and conversion notice, the Company also agreed to waive its right under the certificate of designations of the Series C Preferred Stock to redeem up to 50,000 shares of the Series C Preferred Stock prior to the 180-day anniversary of October 1, 2020, the issue date of the Series C Preferred Stock. The forgoing conversion, effective as of February 5, 2021, resulted in the issuance of an aggregate of 1,312,860 shares of Common Stock and \$1.8 million in expenses.

Common Stock Reserved for Future Issuance

As of September 30, 2021, approximately 17.8 million shares of common stock were issuable upon conversion or exercise of rights granted under prior financing arrangements, stock options, restricted stock units and the conversion of the Senior Notes and Series C Preferred Stock, as follows:

Exercise of stock options	7,358,115
Vesting of restricted stock units	361,791
Conversion of Series C Preferred Stock	5,283,411
Conversion of Senior Notes	4,810,002
Total shares of common stock reserved for future issuances	<u>17,813,319</u>

Note 14. Stock-Based Compensation

Stock Options

We have three stock incentive plans: the 2011 Stock Incentive Plan (the “2011 Plan”), the 2015 Omnibus Equity Incentive Plan (the “2015 Plan”), and the 2018 Omnibus Equity Incentive Plan (the “2018 Plan”), (collectively, the “Plans”). The 2011 Plan and the 2015 Plan (the “Prior Plans”) have been superseded by the 2018 Plan. In May 2018, the stockholders approved the 2018 Plan for issuances up to an aggregate of 3,730,179 shares plus 1,269,821 shares that were authorized but unissued under the Prior Plans as of the effective date of the 2018 Plan and in April 2021, the stockholders approved an increase of 2,850,000 shares authorized under the 2018 Plan. The Prior Plans will remain in effect until all awards granted under such Prior Plans have been exercised, forfeited, cancelled, or have otherwise expired or terminated in accordance with the terms of such awards, but no awards will be made pursuant to the Prior Plans after the effectiveness of the 2018 Plan. As of September 30, 2021, the Company had 7,033,401 shares available for future awards under the 2018 Plan.

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During the nine months ended September 30, 2021, we granted stock options at exercise prices equal to the quoted market price of our common stock on the grant date, with the exception of certain officers of the Company who were granted options with an exercise price at a 10% premium to market price. The fair value of each option grant was estimated on the date of grant using Black-Scholes with the following weighted average assumptions:

Expected life (years)	3.5 - 6.1
Risk-free interest rate	0.5% - 0.9 %
Volatility	64.4% - 80.8 %
Dividend yield	0 %

The expected option life assumption is estimated based on the simplified method. Accordingly, the Company has utilized the average of the contractual term of the options and the weighted average vesting period for all options to calculate the expected option term. The risk-free interest rate assumption is based upon observed interest rates appropriate for the expected term of our employee stock options. The expected volatility is based on the average of the historical volatility and the implied volatility of our stock commensurate with the expected life of the stock-based award. We do not anticipate paying dividends on the common stock in the foreseeable future.

We recognize stock-based compensation cost on a straight-line basis over the vesting period. Stock-based compensation expense is recognized only for those awards that ultimately vest.

Total stock-based compensation expense related to all of our share-based payment awards is comprised of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Cost of revenues	\$ 463	\$ 86	\$ 1,154	\$ 237
Selling, general and administrative	3,322	2,143	9,050	5,141
Engineering and development	363	204	959	977
	<u>\$ 4,148</u>	<u>\$ 2,433</u>	<u>\$ 11,163</u>	<u>\$ 6,355</u>

A summary of stock option activity is as follows:

	Number of Shares	Weighted-Average Exercise Price/Share	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (1)
Outstanding — December 31, 2020	7,554,305	\$ 10.29		
Granted (weighted-average fair value of \$32.73 per share)	529,935	56.47		
Exercised	(701,360)	8.54		
Forfeited	(24,765)	34.65		
Outstanding — September 30, 2021	<u>7,358,115</u>	<u>\$ 13.70</u>	<u>6.0</u>	<u>\$ 388,699</u>
Vested (exercisable) — September 30, 2021	<u>5,738,698</u>	<u>\$ 8.84</u>	<u>5.5</u>	<u>\$ 330,966</u>
Expected to vest after September 30, 2021 (unexercisable)	<u>1,619,417</u>	<u>\$ 30.92</u>	<u>8.0</u>	<u>\$ 57,643</u>

(1) Aggregate intrinsic value represents the difference between the exercise price of the option and the closing market price of our common stock on September 30, 2021, which was \$66.51 per share.

Total intrinsic value of options exercised during the nine months ended September 30, 2021 was \$35.7 million.

As of September 30, 2021, there was unrecognized compensation expense of \$29.6 million related to unvested stock options, which we expect to recognize over a weighted average period of 2.9 years.

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Restricted stock units

A summary of our restricted stock unit activity is as follows:

	Number of Restricted Stock Units	Weighted Average Fair Value per Share
Outstanding – December 31, 2020	—	\$ —
Granted	372,293	55.18
Forfeited	(10,502)	53.86
Share issuance	—	—
Outstanding - September 30, 2021	361,791	\$ 55.22

For the three and nine months ended September 30, 2021, we recorded stock-based compensation expense on our issued restricted stock units of \$1.3 million and \$2.8 million, respectively. There was no stock-based compensation expense on restricted stock units in 2020. As of September 30, 2021, there was unrecognized compensation expense of \$17.2 million related to unvested restricted stock units, which we expect to recognize over a weighted average period of 3.4 years.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

In this Quarterly Report on Form 10-Q (this "Quarterly Report"), the terms "Cryoport," "Company" and similar terms refer to Cryoport, Inc. and its consolidated subsidiaries, unless the context suggest otherwise.

SAFE HARBOR FOR FORWARD LOOKING STATEMENTS:

This Quarterly Report contains forward-looking statements that have been made pursuant to the provisions of the Private Securities Litigation Reform Act of 1995 and concern matters that involve risks and uncertainties that could cause actual results to differ materially from those projected in the forward-looking statements. In some cases, you can identify these statements by terminology such as "may," "will," "should," "could," "expect," "plan," "anticipate," "believe," "estimate," "predict," "potential," "continue" or similar words which are intended to identify forward-looking statements, although not all forward-looking statements contain these words. Reference is made in particular to forward-looking statements regarding our expectations about future business plans, new products or services, regulatory approvals, strategies, development timelines, prospective financial performance and opportunities, including potential acquisitions, expectations about future benefits of our acquisitions, including Cryogene Partners, CRYOPDP and MVE Biological Solutions, our ability to successfully integrate those businesses and our plans related thereto; liquidity and capital resources; projected trends in the market in which we operate; anticipated impacts from the coronavirus strain COVID-19 ("COVID-19") on us, including to our business operations, results of operations, cash flows, and financial position, and our future responses to the COVID-19 pandemic; our expectations about securing and maintaining strategic relationships with global couriers or large clinical research organizations; our future capital needs and ability to raise capital on favorable terms or at all; results of our research and development efforts; and approval of our patent applications.

Although we believe that our opinions and expectations reflected in the forward-looking statements are reasonable as of the date of this Quarterly Report, we cannot guarantee future results, levels of activity, performance or achievements, and our actual results may differ substantially from the views and expectations set forth in this Quarterly Report. You should be aware that these statements are projections or estimates as to future events and are subject to a number of factors that may tend to influence the accuracy of the statements. These forward-looking statements should not be regarded as a representation by the Company or any other person that the events or plans of the Company will be achieved. You should not unduly rely on these forward-looking statements, which speak only as of the date of this Quarterly Report. We undertake no obligation to publicly revise any forward-looking statement to reflect circumstances or events after the date of this Quarterly Report or to reflect the occurrence of unanticipated events. You should, however, review the factors and risks we describe in the reports we file from time to time with the Securities and Exchange Commission ("SEC"), including those contained in this Quarterly Report, in our Annual Report on Form 10-K for the year ended December 31, 2020, as filed with the SEC on March 1, 2021, and those reports filed after the date of this Quarterly Report. Actual results may differ materially from any forward looking statement.

The following management's discussion and analysis of the Company's financial condition and results of operations ("MD&A") should be read in conjunction with the condensed consolidated balance sheet as of September 30, 2021 (unaudited) and the consolidated balance sheet as of December 31, 2020 (audited) and the related unaudited condensed consolidated statements of operations, comprehensive loss, and stockholders equity for the three and nine months ended September 30, 2021 and 2020, and cash flows for the nine months ended September 30, 2021 and 2020 and the related notes thereto (see Part I, Item 1. Financial Statements in this Quarterly Report), as well as the audited consolidated financial statements of the Company for years ended December 31, 2020 and 2019, included in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

Overview

We are redefining the temperature-controlled supply chain for the life sciences industry by providing a unique and evolving platform of critical products and solutions including advanced packaging, informatics, specialty logistics services, biostorage services, and cryogenic life sciences equipment. With over 750 employees spread across over 30 locations worldwide, we are engaged in providing global solutions to the biopharma/pharma, animal health, and reproductive medicine markets. Our primary focus is on addressing the critical temperature-controlled supply chain needs within the biopharmaceutical space with an emphasis on serving the rapidly growing cell and gene therapy, or C> market.

Our Strategy

We are focused on establishing best-in-class, comprehensive temperature-controlled supply chain solutions that support the expanding global landscape of the life sciences industry. We believe our growth strategy aligns with the growth of the markets we serve and our customers within them. In particular, we have identified the C> market as a high growth market, with unmet supply chain needs that we believe can benefit significantly from our solutions. The global C> market was valued at approximately \$4.2 billion in 2019 and is projected to grow to over \$33.1 billion by 2024.

Over the last several years, we have grown to become a leader in supporting the clinical trials and commercial launches of cell and gene therapies globally. As of the end of the third quarter of 2021, we supported 582 clinical trials and eight commercial therapies, including KYMRIA[®] by Novartis, YESCARTA and TECARTUS by Gilead/Kite, and BREYANZI and ABECMA by Bristol-Myers Squibb. A total of nine (9) Cryoport-supported Biologic License Applications (BLAs) or Marketing Authorization Applications (MAAs) were filed in the nine months ended September 30, 2021, based on internal information and data from the Alliance for Regenerative Medicine, of which three (3) were filed during the third quarter of 2021. Looking forward, we anticipate up to another four (4) BLA or MAA submissions for Cryoport-supported products during the remainder of 2021 and; an additional twenty-one (21) filings in 2022. Additionally, a total of four (4) Cryoport-supported therapies received extended or supplemental approvals in the third quarter of 2021. Commercial approvals of these therapies provide an opportunity to become significant revenue drivers for us in the future as each of them requires comprehensive temperature-controlled supply chain support and services at commercial scale, and we expect that many will select us as their critical supply chain solution as a result of our work in connection with their respective clinical trials.

We intend to build on our recent history of developing market-leading, temperature-controlled supply chain solutions and delivering strong growth through the following strategies:

- **Superior service to our clients.** We strive to provide our clients with best-in-class solutions to help manage some of the most critical aspects of their evolving businesses with advanced temperature-controlled supply chain solutions tailored to their specific requirements.
- **Continuous innovation.** We plan to capitalize on our internal technological expertise to develop products and solutions that address unmet needs in the global supply chain of the C> market and the other life sciences markets we serve. We plan to strengthen our existing products and solutions with complementary products, solutions and innovative technologies that are designed to provide our customers with tailored solutions to manage the critical aspects of the supply chain effectively and efficiently.
- **Geographical expansion.** We intend to expand our global commercial presence by continuing to broaden our capabilities within our existing network and selectively build out new global supply chain centers, manufacturing facilities, and infrastructure in support of known and anticipated growth in demand for our solutions and equipment.
- **Strategic logistics alliances and collaborations.** We have been successful in establishing strategic alliances around the world as a means for our current and prospective client base to utilize our solutions. We have focused our efforts on market leading companies in the logistics services industry as well as participants in the life sciences industry. These strategies drive integration of our solutions into our alliance partners' services. We currently support the three largest integrators in the world: FedEx, DHL and UPS, with advanced cryogenic logistics solutions for the life sciences industry. Our Compliance Unified Ecosystem^(TM) includes alliance partners such as McKesson Specialty Health, a division of McKesson Corporation, Be The Match BioTherapies, Brooks Life Sciences, EVERSANA, Lonza, Medipal, Vineti, Mitsubishi Logistics and LabConnect. The overarching goal of these partnerships is to provide fully integrated solutions including, but not limited to, process optimization that reduces risk, increases transparency, and improves certainty.
- **Targeted acquisitions.** We intend to continue to selectively pursue acquisitions that may include innovative technologies and solutions and/or geographic competencies and capabilities to ensure we further enhance and broaden our market leadership and enable our clients to successfully bring products and life-saving therapies to market.

- **Setting industry standards.** Our supply chain solutions are designed to support our clients' initiatives through early-stage studies, clinical trials, and their global commercialization. We believe our 'first mover' advantage and the experience we have gained in supporting the C> market have positioned us as a market leader in the space with a strong platform of comprehensive solutions, products and services that have been adopted by many leading life sciences companies. A key strategy for further accelerating market adoption of our enabling solutions is to maintain and extend our position as the industry leader in the markets we serve. We believe this approach can further strengthen our market position, expand the breadth of services our clients utilize, increase our competitive advantage and contribute to our long-term growth.

Our Solutions

We use our competencies and capabilities to develop comprehensive and reliable, technology-centric solutions that address the specific needs of our customers. Our platform of temperature-controlled supply chain solutions, products and service includes cold-chain and cryogenic life sciences equipment, advanced packaging, informatics, specialty logistics services, biostorage services, kitting, labeling, fulfillment and consulting. These solutions, products and services are utilized for temperature-controlled supply chain services in the life sciences industry for personalized medicine, cell therapies, stem cells, cell lines, vaccines, diagnostic materials, semen, eggs, embryos, cord blood, bio-pharmaceuticals, infectious substances, and other commodities that require continuous exposure to certain and specific ranges of precision-controlled temperatures and environments.

Our Cryoport solutions are comprised primarily of a sophisticated, cloud-based, logistics management platform, which is branded as the Cryoport Logistics Management Platform[®], or the Cryoport[®], Cryoport Express[®] Shippers and the SmartPak Condition Monitoring System[®], or the SmartPak[®]. The Cryoport supports the management of shipments through a single interface, which includes order entry, document preparation, customs documentation, courier management, near real-time shipment tracking and monitoring, issue resolution, and regulatory compliance requirements. In addition, it provides unique and incisive information dashboards and validation documentation for every shipment through data collected by the SmartPak. The Cryoport can record and retain a fully documented history of all Cryoport Express Shippers, including *chain-of-custody*, *chain-of-condition*, *chain-of-identity*, and Chain of Compliance[®] information for each shipment, which is used to ensure that the stability of shipped biologic commodities are maintained throughout the shipping cycle. At the client's option, recorded information is archived, allowing the client to meet exacting requirements necessary for scientific work and/or proof of regulatory compliance during the logistics process.

During 2018, we introduced our Chain of Compliance solution, as a new industry standard within the C> market. Our Chain of Compliance goes beyond *chain-of-custody*, *chain-of-condition*, *chain-of-identity* by providing traceability of the equipment, equipment components and processes supporting each client or patient therapy. The Chain of Compliance enables us to recall any single or every transport that an individual Cryoport Express Shipper has taken, the client(s) it supported, the commodity transported, its performance during transit, and each step that we perform before the shipper is put back into service. This includes Cryoport Express Shipper performance and requalification history, commodity history, courier handling and performance history, calibration history, and correlation competencies that can link in field events to equipment performance. Many of these standards have now been incorporated in the recently released ISO-21973 standard and we believe they are likely to become regulatory requirements in the near future.

In September 2019, the Cryoport Express Advanced Therapy Shipper[™] was launched to address specific needs of biopharma companies developing and commercializing C>s. The Cryoport Express Advanced Therapy Shippers provide verification processes to ensure that it has only been used for human-based therapies and materials and employ advanced validated cleaning methods to minimize the risk of cross-contamination of equipment and materials during use, delivery, and distribution of biopharmaceutical materials.

We further extended our solutions, capabilities, and global logistics network through the following recent acquisitions:

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In October 2020, we further expanded our capabilities by acquiring CRYOPDP, a leading global provider of innovative temperature-controlled logistics solutions for high value, time critical and temperature-sensitive pharmaceuticals. CRYOPDP covers a significant portion of the healthcare temperature-controlled supply chain including packaging, pick-pack kit preparation, premium services and specialty biopharma/pharma courier support. This acquisition increased our global presence to a network of 27 global supply chain centers in 13 countries. This expanded network gives us a new advantage when serving global multi-national customers and also provides redundancies and backup that reduce supply chain risk for our customers. CRYOPDP has also developed a cloud-based logistics platform branded as UnITy™, which we plan to integrate with our Cryoport Logistics Management Platform. UnITy™, provides functionalities such as a Transport Management System, Warehousing Management System, Quality Management System, a Customer Experience portal, mobile apps for track and trace during transport and storage as well as integration with transportation agents and business partners. In the second quarter of 2021, we completed the acquisitions of Critical Transport Solutions Australia (CTSA) in Australia and F-airGate in Belgium to further enhance our existing global temperature-controlled supply chain capabilities in the APAC and EMEA regions.

Also in October 2020, we made a second acquisition, acquiring MVE Biological Solutions from Chart Industries, Inc. MVE Biological Solutions, or MVE, provides cryobiological storage and transportation solutions for the life sciences industry through its advanced line of cryogenic stainless-steel freezers, aluminum dewars and related ancillary equipment used in the storage and transport of life sciences commodities, which includes the rapidly growing C> business. With three primary facilities, located in Ball Ground, Georgia, New Prague, Minnesota and Cheng-du, China, MVE is a leader in serving the life sciences industry throughout the world. The acquisition is a vertical integration that, in addition to expanding our footprint to handle the growing demand driven by the growth in the C> market, helps to secure our supply of cryogenic shippers and biostorage equipment. MVE strengthens Cryoport's presence in its biopharma/pharma, animal health and reproductive medicine markets. Its cryobiological storage and transport clients include C>, medical laboratories, biotech/pharmaceutical research facilities, blood and tissue banks, breeders, veterinary laboratories, large-scale biorepositories, and fertility clinics. We believe the addition of MVE allows us to capture a greater share of the global spend on supply chain products and services that supports C>.

In May 2019, we expanded our capabilities by acquiring Cryogene Partners, a Texas general partnership doing business as Cryogene Labs, or Cryogene. Cryogene is an expanding state-of-the-art temperature-controlled biostorage solutions business strategically located in Houston, Texas. Cryogene is an industry leader in the management of pre-clinical services which include critical biological commodities to support clinical research, the advancement of C>s, GMP biologics, and public health research. It provides customized, end-to-end chain of custody/chain of condition solutions for its clients.

As demonstrated by our organic growth and acquisitions, we are continually focused on establishing comprehensive temperature-controlled supply chain solutions to support the rapidly expanding global landscape of the life sciences industry.

The Markets We Serve

Biopharma/Pharma. In the biopharma/pharma market, we are focused on supporting the saving of lives. From clinical research and development to clinical research organizations to clinical trials for C>s to the storage and delivery of life-saving C>s to the customers of biopharmaceutical and biotechnology organizations to crucial points of care, we strive to address fundamental-to-advanced temperature-controlled storage, transport, packaging, fulfillment, and information challenges. In particular, C>s have become a rapidly growing area of biological drug development, with over 1,320 industry-sponsored, global clinical trials underway and nearly 1,200 regenerative medicine and advanced therapy developers, as reported by the Alliance for Regenerative Medicine in its H1 2021 update. These therapeutic approaches have certain supply chain challenges that we believe our solutions are well tailored to address.

Animal Health. In the animal health market, we provide support for animal reproduction, which primarily involves the production of protein for sustaining life. We also support the health of recreational and companion animals. Animal disease prevention and control rely on the safe transport and storage of vaccines and other biological materials around the world. Our temperature-controlled supply chain solutions are designed to help avoid costly delays through nonstop monitoring and complete fleet management from and to the origin and destination points as well as provide cryobiological storage equipment.

Reproductive Medicine. In the reproductive medicine market, we are focused on the support of the creation of human life by supporting In Vitro Fertilization, or IVF, and related technologies along with clinical networks globally. Through our CryoStork services, we transport reproductive materials through dedicated medical transport services to help ensure that IVF materials are on the next flight out to their destination. IVF materials also receive one-on-one handling and individualized attention during the entire logistics process. In addition, we also provide cryobiological storage equipment to fertility clinics around the world.

Impact of COVID-19

In late 2019, a novel strain of coronavirus that causes coronavirus disease (COVID-19) was reported to have surfaced in Wuhan, China, which has since spread globally. In March 2020, the World Health Organization declared COVID-19 a global pandemic. The pandemic has negatively impacted the global economy, disrupted global supply chains and reduced workforce participation. Further, the COVID-19 outbreak has resulted in government authorities around the world implementing numerous measures to try to reduce the impact of COVID-19, such as travel bans and restrictions, quarantines, shelter in place or total lock-down orders. Many countries around the world have also implemented the temporary closure of non-essential businesses and other material limitations on the conduct of business. As a provider of life saving therapies, Cryoport is deemed to be an essential business and has remained fully open and operational. However, the full extent and duration of this pandemic is still unknown at this point and the related governmental, business and travel restrictions in order to contain this virus are continuing to evolve globally. Accordingly, there is significant uncertainty related to the ultimate duration and impact that this global pandemic will have on future results of our operations.

Several life sciences companies, including some of our clients, announced during 2020 the temporary suspension of clinical studies and trials as well as other COVID-19 related risks that may impact their preclinical and clinical trials, including delays in patient enrollment or difficulties in initiating or expanding clinical trials, interruption of clinical trial activity, and diversion of healthcare resources to focus on COVID-19 activities. While these temporary suspensions and restrictions have been lifted such actions negatively impacted our revenue in the markets we serve during 2020. More recently, new variants of COVID-19 such as the Delta variant, that are significantly more contagious than previous strains, have emerged. The spread of these new strains are causing many government authorities and businesses to reimplement prior restrictions, or imposing new restrictions, in an effort to lessen the spread of COVID-19 and its variants. Accordingly, while we have experienced revenue ramping back up gradually over time, this may be curtailed to the extent we or our clients are affected by such restrictions in the future. Further, virus containment efforts as a result of governmental actions or policies or other initiatives have led to the disruption in the global supply chain and as a result, we have experienced difficulties sourcing materials and equipment and may incur additional direct costs to provide our solutions in the future. See “Risk Factors—Risk Related to Our Business—We depend on the availability of certain component products used in our solutions; delays or increased costs in the procurement of components manufactured by third parties could adversely affect our business operations, financial performance and results of operations, and we may experience customer dissatisfaction and harm to our reputation” in Part II, Item 1A of this Quarterly Report for additional information.

While longer-term client demand for our services overall remains strong, the effects of the COVID-19 pandemic, including the measures above taken by some of our clients have adversely impacted our revenue growth. We continue to monitor the evolving situation caused by the COVID-19 pandemic, and we may take further actions required by governmental authorities or that we determine are prudent to support the well-being of our employees, customers, suppliers, business partners and others. The degree to which COVID-19 impacts our business operations, financial performance and results of operations will depend on future developments, which are highly uncertain, continuously evolving and cannot be predicted, including, but not limited to, the duration and spread of the COVID-19 outbreak and its variants, its severity, the actions to contain the virus or treat its impact, such as the availability and efficacy of vaccines (particularly with respect to emerging strains of the virus), and the potential hesitancy to utilize them; general economic factors, such as increased inflations; supply chain constraints; labor supply issues; and how quickly and to what extent normal economic and operating conditions can resume. See also “Risk Factors—Risk Related to Our Business—The recent global pandemic caused by COVID-19 has already and may continue to adversely affect our business operations, financial performance and results of operations, the extent of which is uncertain and difficult to predict” and our other risk factors discussed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2020 and the risk factors discussed in this Quarterly Report.

Results of Operations

Three months ended September 30, 2021 compared to three months ended September 30, 2020:

The following table summarizes certain information derived from our condensed consolidated statements of operations (in thousands):

	<u>Three Months Ended September 30,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2021</u>	<u>2020</u>		
	(\$ in 000's)			
Service revenues	\$ 30,899	\$ 11,172	\$ 19,727	176.6 %
Product revenues	25,794	—	25,794	100 %
Total revenues	56,693	11,172	45,521	407.5 %
Cost of service revenues	(18,114)	(5,117)	(12,997)	254.0 %
Cost of product revenues	(15,066)	—	(15,066)	100 %
Total cost of revenues	(33,180)	(5,117)	(28,063)	548.5 %
Gross margin	23,513	6,055	17,458	288.3 %
Selling, general and administrative	(23,901)	(14,476)	(9,425)	65.1 %
Engineering and development	(4,188)	(2,312)	(1,876)	81.2 %
Investment income	851	188	663	352.4 %
Interest expense	(1,189)	(1,889)	700	(37.1)%
Other income (expense), net	(588)	987	(1,575)	(159.6)%
Provision for income taxes	(1,024)	29	(1,053)	(3,621.8)%
Net loss	<u>\$ (6,526)</u>	<u>\$ (11,418)</u>	<u>\$ 4,892</u>	<u>(42.8)%</u>
Paid-in-kind dividend on Series C convertible preferred stock	(2,000)	—	(2,000)	100 %
Net loss attributable to common stockholders	<u>\$ (8,526)</u>	<u>\$ (11,418)</u>	<u>\$ 2,892</u>	<u>(25.3)%</u>

Total revenues by market (in thousands):

	<u>Three Months Ended September 30,</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2021</u>	<u>2020</u>		
Biopharma/Pharma	\$ 46,001	\$ 9,760	\$ 36,241	371.3 %
Animal health	8,261	223	8,038	3,598.1 %
Reproductive medicine	2,431	1,189	1,242	104.5 %
Total revenues	<u>\$ 56,693</u>	<u>\$ 11,172</u>	<u>\$ 45,521</u>	<u>407.5 %</u>

Revenues. Revenues increased by \$45.5 million, or 407.5%, from \$11.2 million to \$56.7 million for three months ended September 30, 2021, as compared to the same period in 2020. This increase was primarily driven by revenue from the acquisition of MVE Biological Solutions and CRYOPDP on October 1, 2020, which contributed \$25.7 million and \$15.6 million, respectively, and the increase in organic revenue by \$4.2 million, or 37.9%, to \$15.4 million for the three months ended September 30, 2021, as compared to the same period in 2020, primarily driven by increased activity from our biopharmaceutical customers. During the third quarter of 2021 we experienced an increase in the number of customers utilizing our services and the number of clinical trials we support.

Service revenues increased by \$19.7 million, or 176.6%, from \$11.2 million to \$30.9 million for the three months ended September 30, 2021, as compared to the same period in 2020. This increase was driven by the acquisition of CRYOPDP on October 1, 2020, which contributed \$15.6 million in revenue from temperature-controlled specialty courier and supply chain services, including packaging, pick-pack kit preparation, the continuing ramp of revenue from our Cryoport Express® solutions, which increased by \$3.9 million, or 39.9%, and revenue from our biostorage services, which increased by \$0.2 million, or 13.1%.

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Product revenues were \$25.8 million for the three months ended September 30, 2021, primarily a result of the acquisition of MVE Biological Solutions on October 1, 2020, representing revenue from our portfolio of cryogenic stainless-steel freezers, aluminum dewars and related ancillary equipment used in the storage and transport of life sciences commodities, which includes the rapidly growing C> market through a global network of distributors and direct client relationships.

Revenues by market

Revenue from the biopharma/pharma market increased \$36.2 million, or 371.3%, from \$9.8 million to \$46.0 million for the three months ended September 30, 2021, as compared to the same period in 2020. This increase was driven by revenue from the acquisition of MVE Biological Solutions and CRYOPDP on October 1, 2020, which contributed \$16.6 million and \$15.6 million, respectively, and the increase in organic revenue by \$4.0 million, or 41.4%, to \$13.8 million driven by revenue growth from the support of clinical trials. We now support 582 clinical trials, of which 459 are in the Americas, 92 are in EMEA and 31 are in APAC, compared to 517 clinical trials supported as of September 30, 2020 (411 in the Americas, 83 in EMEA and 23 in APAC). The number of Phase III clinical trials supported increased to 70 trials as of September 30, 2021, of which 48 are in the Americas, 21 are in EMEA, and 1 is in APAC. This compares to 66 Phase III trials (47 in the Americas, 18 in EMEA and 1 in APAC) supported as of September 30, 2020. The activity in the clinical trial space, particularly in the C> market is expected to drive future revenue growth as these clinical trials advance and resulting therapies are commercialized on a global basis.

Our revenue from the animal health market increased \$8.0 million, or 3,598.1%, from \$0.2 million to \$8.3 million for the three months ended September 30, 2021, as compared to the same period in 2020. This increase was primarily driven by the acquisition of MVE Biological Solutions on October 1, 2020.

Revenues in the reproductive medicine market increased \$1.2 million, or 104.5%, from \$1.2 million to \$2.4 million for the three months ended September 30, 2021, as compared to the same period in 2020. This increase was driven by an increase in organic revenue of \$0.1 million, or 9.8%, to \$1.3 million, demonstrating the continued success of our CryoStork[®]-branded offering, and revenue of \$1.1 million contributed by MVE Biological Solutions during the third quarter of 2021.

Gross margin and cost of revenues. Gross margin for the three months ended September 30, 2021 was 41.5% of total revenues, as compared to 54.2% of total revenues for the three months ended September 30, 2020. The gross margin was primarily impacted by the margin profiles and related margin contributions from the acquisitions of MVE Biological Solutions and CRYOPDP and investments in our growth initiatives, as well as capacity constraints of suppliers and challenges from transportation networks, primarily impacting the MVE Biological Solutions business. Cost of total revenues increased \$28.1 million to \$33.2 million for the three months ended September 30, 2021, as compared to \$5.1 million in the same period in 2020. The increase in cost of total revenues is commensurate with the increase in business volume and the addition of cost of revenue from the acquisitions of MVE Biological Solutions and CRYOPDP in October 2020.

Gross margin for our service revenues was 41.4% of service revenues, as compared to 54.2% of service revenues for the three months ended September 30, 2020. This decrease was a result of the lower margin contribution from the acquisition of CRYOPDP in October 2020. Our cost of revenues is primarily comprised of freight charges, payroll and associated expenses related to our global logistics and supply chain centers, depreciation expenses of our Cryoport Express[®] Shippers and supplies and consumables used for our solutions.

Gross margin for our product revenues was 41.6% of product revenues. Product revenues, related cost of revenues and resulting gross margins were primarily a result of the acquisition of MVE Biological Solutions. Our cost of product revenues were primarily comprised of materials, direct and indirect labor, inbound freight charges, purchasing and receiving, inspection, and distribution and warehousing of inventory. In addition, shop supplies, facility maintenance costs and depreciation expense for assets used in the manufacturing process were included in cost of product revenues. MVE Biological Solutions experienced higher labor, materials and transportation costs during the third quarter ended September 30, 2021 as a result of global supply chain constraints.

Selling, general and administrative expenses. Selling, general and administrative (“SG&A”) expenses include the costs associated with selling our products and services and costs required to support our marketing efforts including legal, accounting, patent, shareholder services, amortization of intangible assets and other administrative functions.

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For the three months ended September 30, 2021, SG&A expenses increased by \$9.4 million, or 65.1% as compared to the same period in 2020. This increase is primarily due to the addition of \$11.5 million of SG&A expenses from the acquisition of MVE Biological Solutions and CRYOPDP in October 2020, as well as the continued expansion of our infrastructure to support the acquisitions and expected future growth. Wages and associated employee costs increased \$6.2 million from \$4.3 million in 2020 to \$10.4 million in 2021. Intangible asset amortization expense is included in SG&A and consists of charges related to the amortization of intangible assets associated with the acquisitions of CRYOPDP and MVE Biological Solutions in 2020 and Cryogene in 2019, in which we acquired definite-lived intangible assets. Intangible asset amortization expense increased by \$3.6 million, from \$0.1 million in 2020, to \$3.7 million in 2021. Public company related expenses (including legal, audit and internal control audit fees) increased \$2.0 million, facility and other overhead allocations increased \$1.2 million and stock compensation expense increased by \$1.2 million compared to the same period in 2020. These increases were partially offset by a reduction of \$5.7 million in consulting, legal and other acquisition-related expenses in 2021 as compared to the same period in 2020.

Engineering and development expenses. Engineering and development expenses increased \$1.9 million, or 81.2%, for three months ended September 30, 2021, as compared to the same period in 2020. The increase was primarily due to an increase of \$0.7 million in consulting, prototype and development costs directed at further enhancing our logistics and supply chain solutions and \$0.6 million in wages and associated employee costs to add software development and engineering resources. We continually invest to improve and expand the features of our Cryoport Express[®] Solutions and portfolio of services and suite of temperature-controlled products. Our primary developments are directed towards facilitating the safe, reliable and efficient transport and storage of life science commodities through innovative and technology-based solutions. This includes significantly enhancing our Cryoport[®] Logistics Management Platform and related technology solutions as well as developments to expand our Cryoport Express[®] Shipper fleet, such as the Cryosphere[™] shipper, a cryogenic dry-vapor shipper utilizing patent pending technology that passively stabilizes the payload through an internal gravitational sphere, thereby further mitigating transport risks. In addition, engineering and development efforts are also focused on MVE Biological Solutions' portfolio of advanced cryogenic stainless-steel freezers, aluminum dewars and related ancillary equipment used in the storage and transport of life sciences commodities. We supplement our internal engineering and development resources with subject matter experts and consultants to enhance our capabilities and shorten development cycles.

Investment Income. Investment income increased by \$0.7 million, for the three months ended September 30, 2021, as compared to the prior year as a result of higher average invested cash balances offset by lower interest rates on such invested cash balances.

Interest expense. Interest expense increased \$0.7 million for the three months ended September 30, 2021, as compared to the three months ended September 30, 2020 due to interest on the convertible senior notes.

Other expense, net. The increase in other expense, net for the three months ended September 30, 2021 is primarily due to realized and unrealized gains and losses on short-term investments and foreign currency fluctuations.

Provision for income taxes. The provision for income taxes increased \$1.1 million for the three months ended September 30, 2021, as compared to the three months ended September 30, 2020. For the three months ended September 30, 2021 and 2020, our taxes reflected an effective income tax rate of negative 18.6% and 0.3%, respectively. The negative effective tax rate of 18.6% for the three months ended September 30, 2021 was principally due to our accrual of taxes on our foreign earnings with no offsetting tax benefit for our domestic losses due to the valuation allowance on domestic deferred tax assets. The effective tax rate for the three months ended September 30, 2021 varied significantly from the effective tax rate from the prior year primarily due to our increase in foreign operations as a result of the acquisitions of MVE Biological Solutions and CRYOPDP during the fourth quarter of 2020.

Paid-in-kind dividend on Series C convertible preferred stock. The paid-in-kind dividend of \$2.0 million relates to the private placement of Series C Preferred Stock with Blackstone.

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Nine months ended September 30, 2021 compared to nine months ended September 30, 2020:

The following table summarizes certain information derived from our condensed consolidated statements of operations (in thousands):

	Nine Months Ended September 30,		\$ Change	% Change
	2021	2020		
	(\$ in 000's)			
Service revenues	\$ 87,342	\$ 30,335	\$ 57,007	187.9 %
Product revenues	78,826	—	78,826	100 %
Total revenues	166,168	30,335	135,833	447.8 %
Cost of service revenues	(50,409)	(13,895)	(36,514)	262.8 %
Cost of product revenues	(42,295)	—	(42,295)	100 %
Total cost of revenues	(92,704)	(13,895)	(78,809)	567.2 %
Gross margin	73,464	16,440	57,024	346.9 %
Selling, general and administrative	(69,977)	(30,613)	(39,364)	128.6 %
Engineering and development	(12,953)	(5,991)	(6,962)	116.2 %
Investment income	1,618	808	810	100.2 %
Interest expense	(3,563)	(2,290)	(1,273)	55.6 %
Other expense, net	(1,469)	536	(2,005)	(373.7)%
Provision for income taxes	(2,562)	(54)	(2,508)	4,661.9 %
Net loss	\$ (15,442)	\$ (21,164)	\$ 5,722	(27.0)%
Paid-in-kind dividend on Series C convertible preferred stock	(6,196)	—	(6,196)	100 %
Net loss attributable to common stockholders	\$ (21,638)	\$ (21,164)	\$ (474)	2.2 %

Total revenues by market (in thousands):

	Nine Months Ended September 30,		\$ Change	% Change
	2021	2020		
Biopharma/Pharma	133,878	27,120	106,758	393.7 %
Animal health	25,655	664	24,991	3,761.9 %
Reproductive medicine	6,635	2,551	4,084	160.0 %
Total revenues	\$ 166,168	\$ 30,335	\$ 135,833	447.8 %

Revenues. Revenues increased by \$135.8 million, or 447.8%, from \$30.3 million to \$166.2 million for nine months ended September 30, 2021, as compared to the same period in 2020. This increase was primarily driven by revenue from the acquisition of MVE biological Solutions and CRYOPDP on October 1, 2020, which contributed \$78.6 million and \$44.4 million, respectively, and the increase in organic revenue by \$12.8 million, or 42.3%, to \$43.2 million for the nine months ended September 30, 2021, as compared to the same period in 2020, primarily driven by increased activity from our biopharmaceutical customers. During 2021 we experienced an increase in the number of customers utilizing our services and the number of clinical trials we support.

Service revenues increased by \$57.0 million, or 187.9%, from \$30.3 million to \$87.3 million for the nine months ended September 30, 2021, as compared to the same period in 2020. This increase was driven by the acquisition of CRYOPDP on October 1, 2020, which contributed \$44.4 million in revenue from temperature-controlled specialty courier and supply chain services, including packaging, pick-pack kit preparation, the continuing ramp of revenue from our Cryoport Express[®] solutions, which increased by \$11.9 million, or 44.9%, and revenue from our biostorage services, which increased by \$0.6 million, or 14.4%.

Product revenues were \$78.8 million for the nine months ended September 30, 2021, primarily a result of the acquisition of MVE Biological Solutions on October 1, 2020, representing revenue from our portfolio of cryogenic stainless-steel freezers, aluminum dewars and related ancillary equipment used in the storage and transport of life sciences commodities, which includes the rapidly growing Cell and Gene Therapy (“C>”) market through a global network of distributors and direct client relationships.

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Revenues by market

Revenue from the biopharma/pharma market increased \$106.8 million, or 393.7%, from \$27.1 million to \$133.9 million for the nine months ended September 30, 2021, as compared to the same period in 2020. This increase was driven by revenue from the acquisition of MVE Biological Solutions and CRYOPDP on October 1, 2020, which contributed \$51.2 million and \$44.4 million, respectively, and the increase in organic revenue by \$11.2 million, or 41.3%, to \$38.3 million driven by revenue growth from the support of clinical trials. As of September 30, 2021, we supported 582 clinical trials, of which 459 were in the Americas, 92 were in EMEA and 31 were in APAC, compared to 517 clinical trials supported as of September 30, 2020 (411 in the Americas, 83 in EMEA and 23 in APAC). The number of Phase III clinical trials supported increased to 70 trials as of September 30, 2021, of which 48 are in the Americas, 21 are in EMEA, and 1 is in APAC. This compares to 66 Phase III trials (47 in the Americas, 18 in EMEA and 1 in APAC) supported as of September 30, 2020. The activity in the clinical trial space, particularly in the C> market is expected to drive future revenue growth as these clinical trials advance and resulting therapies are commercialized on a global basis.

Our revenue from the animal health market increased \$25.0 million, or 3,761.9%, from \$0.7 million to \$25.7 million for the nine months ended September 30, 2021, as compared to the same period in 2020. This increase was primarily driven by the acquisition of MVE Biological Solutions on October 1, 2020.

Revenues in the reproductive medicine market increased \$4.1 million, or 160.0%, from 2.6 million to \$6.6 million for the nine months ended September 30, 2021, as compared to the same period in 2020. This increase was driven by an increase in organic revenue of \$1.5 million, or 57.6%, to \$4.0 million, demonstrating the continued success of our CryoStork[®]-branded offering, and revenue of \$2.6 million contributed by MVE Biological Solutions during 2021.

Gross margin and cost of revenues. Gross margin for the nine months ended September 30, 2021 was 44.2% of total revenues, as compared to 54.2% of total revenues for the nine months ended September 30, 2020. The nine-month period gross margin was primarily impacted by the margin profiles and related margin contributions of the MVE Biological Solutions and CRYOPDP acquisitions completed October 1, 2020. The third quarter 2021 gross margin was impacted by investments in our growth initiatives, as well as increased costs as a result of global supply chain constraints, primarily impacting the MVE Biological Solutions business. Cost of total revenues increased \$78.8 million to \$92.7 million for the nine months ended September 30, 2021, as compared to \$13.9 million in the same period in 2020. The increase in cost of total revenues is commensurate with the increase in business volume and the addition of cost of revenue from the acquisitions of MVE Biological Solutions and CRYOPDP in October 2020.

Gross margin for our service revenues was 42.3% of service revenues, as compared to 54.2% of service revenues for the nine months ended September 30, 2020. This decrease was a result of the lower margin contribution from the acquisition of CRYOPDP in October 2020. Our cost of revenues is primarily comprised of freight charges, payroll and associated expenses related to our global logistics and supply chain centers, depreciation expenses of our Cryoport Express[®] Shippers and supplies and consumables used for our solutions.

Gross margin for our product revenues was 46.3% of product revenues. Product revenues, related cost of revenues and resulting gross margins were primarily a result of the acquisition of MVE Biological Solutions. Our cost of product revenues were primarily comprised of materials, direct and indirect labor, inbound freight charges, purchasing and receiving, inspection, and distribution and warehousing of inventory. In addition, shop supplies, facility maintenance costs and depreciation expense for assets used in the manufacturing process were included in cost of product revenues.

Selling, general and administrative expenses. Selling, general and administrative (“SG&A”) expenses include the costs associated with selling our products and services and costs required to support our marketing efforts including legal, accounting, patent, shareholder services, amortization of intangible assets and other administrative functions.

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For the nine months ended September 30, 2021, SG&A expenses increased by \$39.4 million, or 128.6% as compared to the same period in 2020. This increase is primarily due to the addition of \$33.9 million of SG&A expenses from the acquisition of MVE Biological Solutions and CRYOPDP in October 2020, as well as the continued expansion of our infrastructure to support the acquisitions and expected future growth. Wages and associated employee costs increased \$20.1 million from \$11.0 million in 2020 to \$31.1 million in 2021. Intangible asset amortization expense is included in SG&A and consists of charges related to the amortization of intangible assets associated with the acquisitions of CRYOPDP and MVE Biological Solutions in 2020 and Cryogene in 2019, in which we acquired definite-lived intangible assets. Intangible asset amortization expense increased by \$10.4 million, from \$0.4 million in 2020, to \$10.8 million in 2021. Facility and other overhead allocations increased \$4.4 million, public company related expenses (including legal, audit and internal control audit fees) increased by \$3.3 million and stock compensation expense increased by \$3.7 million compared to the same period in 2020. These increases were partially offset by a \$7.0 million decrease in consulting, legal and other acquisition-related expenses in 2021 as compared to the same period in 2020.

Engineering and development expenses. Engineering and development expenses increased \$7.0 million, or 116.2%, for nine months ended September 30, 2021, as compared to the same period in 2020. The increase was primarily due to an increase of \$3.3 million in consulting, prototype and development costs directed at further enhancing our logistics and supply chain solutions and \$2.4 million in wages and associated employee costs to add software development and engineering resources. We continually strive to improve and expand the features of our Cryoport Express[®] Solutions and portfolio of services and suite of temperature-controlled products. Our primary developments are directed towards facilitating the safe, reliable and efficient transport and storage of life science commodities through innovative and technology-based solutions. This includes significantly enhancing our Cryoport[®] Logistics Management Platform and related technology solutions as well as developments to expand our Cryoport Express[®] Shipper fleet, such as the Cryosphere[™] shipper, a cryogenic dry-vapor shipper utilizing patent pending technology that passively stabilizes the payload through an internal gravitational sphere, thereby further mitigating transport risks. In addition, engineering and development efforts are also focused on MVE Biological Solutions' portfolio of advanced cryogenic stainless-steel freezers, aluminum dewars and related ancillary equipment used in the storage and transport of life sciences commodities. We supplement our internal engineering and development resources with subject matter experts and consultants to enhance our capabilities and shorten development cycles.

Investment Income. Investment income increased by \$0.8 million, for the nine months ended September 30, 2021, as compared to the prior year as a result of higher average invested cash balances offset by lower interest rates on such invested cash balances.

Interest expense. Interest expense increased \$1.3 million for the nine months ended September 30, 2021, as compared to the nine months ended September 30, 2020 due to interest on the convertible senior notes.

Other expense, net. The increase in other expense, net for the nine months ended September 30, 2021 is primarily due to realized and unrealized gains and losses on short-term investments and foreign currency fluctuations.

Provision for income taxes. The provision for income taxes increased \$2.5 million for the nine months ended September 30, 2021, as compared to the nine months ended September 30, 2020. For the nine months ended September 30, 2021 and 2020, our taxes reflected an effective income tax rate of negative 19.9% and 0.3%, respectively. The negative effective tax rate of 19.9% for the nine months ended September 30, 2021 was principally due to our accrual of taxes on our foreign earnings with no offsetting tax benefit for our domestic losses due to the valuation allowance on domestic deferred tax assets. The effective tax rate for the nine months ended September 30, 2021 varied significantly from the effective tax rate from the prior year primarily due to our increase in foreign operations as a result of the acquisitions of MVE Biological Solutions and CRYOPDP during the fourth quarter of 2020.

Paid-in-kind dividend on Series C convertible preferred stock. The paid-in-kind dividend of \$6.2 million relates to the private placement of Series C Preferred Stock with Blackstone.

Non-GAAP Financial Measures

We provide adjusted EBITDA, a non-GAAP financial measure, as a supplemental measure to U.S. GAAP measures regarding our operating performance. Adjusted EBITDA is defined as net loss adjusted for interest expense, income taxes, depreciation and amortization expense, stock-based compensation expense, acquisition and integration costs, investment income, and charges or gains resulting from non-recurring events. Adjusted EBITDA is not calculated in accordance with U.S. GAAP, is not based on any comprehensive set of accounting rules or principles and may be different from non-GAAP financial measures presented by other companies. Non-GAAP financial measures, including adjusted EBITDA, should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with U.S. GAAP.

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Management believes adjusted EBITDA provides a useful measure of our operating results, a meaningful comparison with historical results and with the results of other companies, and insight into our ongoing operating performance. Further, management and our board of directors utilize adjusted EBITDA to gain a better understanding of our comparative operating performance from period-to-period and as a basis for planning and forecasting future periods. Management believes adjusted EBITDA, when read in conjunction with our U.S. GAAP financials, is useful to investors because it provides a basis for meaningful period-to-period comparisons of our ongoing operating results, including results of operations, against investor and analyst financial models, identifying trends in our underlying business and performing related trend analyses, and it provides a better understanding of how management plans and measures our underlying business.

A reconciliation of adjusted EBITDA to net loss, the most directly comparable U.S. GAAP financial measure, is presented below.

Cryoport, Inc. and Subsidiaries
Adjusted EBITDA Reconciliation
(Unaudited, in thousands)

	<u>Three months ended September 30,</u>		<u>Nine months ended September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
GAAP net loss	\$ (6,526)	\$ (11,418)	\$ (15,442)	\$ (21,164)
Non-GAAP adjustments to net loss:				
Depreciation and amortization costs	5,157	830	14,944	2,499
Acquisition and integration costs	1,450	5,765	3,340	7,380
Investment income	(851)	(188)	(1,618)	(808)
Interest expense, net	1,189	1,889	3,563	2,290
Stock-based compensation expense	4,148	2,433	11,163	6,355
Income taxes	1,024	(29)	2,562	54
Adjusted EBITDA	<u>\$ 5,591</u>	<u>\$ (718)</u>	<u>\$ 18,512</u>	<u>\$ (3,394)</u>

Liquidity and Capital Resources

As of September 30, 2021, the Company had cash and cash equivalents of \$43.7 million, \$305.8 million in short-term investments and had working capital of \$369.3 million. Historically, we have financed our operations primarily through sales of equity securities and debt instruments.

For the nine months ended September 30, 2021, we provided \$5.5 million of cash for operations which included non-cash expenses of \$27.6 million comprised of \$14.9 million of depreciation and amortization, \$11.2 million of stock-based compensation, \$0.3 million of unrealized losses on our equity securities as well as \$0.7 million of amortization of debt discount. Also contributing to the cash impact of our net operating loss, excluding non-cash items, was an increase in accounts receivable of \$6.6 million, an increase in inventory of \$3.0 million, and an increase in accrued compensation of \$1.2 million. These increases were partially offset by the net loss of \$15.4 million and a decrease in accounts payable and accrued expenses of \$2.3 million and a decrease in prepaids and other current assets of \$2.7 million.

Net cash used in investing activities of \$273.3 million during the nine months ended September 30, 2021 was primarily due to the \$292.3 million purchase of short-term investments, the acquisition of CTSA and F-airGate for \$5.0 million, \$15.6 million for the capitalization of software development costs for our Cryoport[®] Logistics Management Platform and additional purchases of Cryoport Express[®] Shippers, Smart Pak II[™] Condition Monitoring Systems, freezers and computer equipment, partially offset by the maturity of short-term investments of \$41.0 million.

Net cash provided by financing activities totaled \$275.8 million during the nine months ended September 30, 2021, primarily as a result of \$269.8 million in net proceeds from our January 2021 public offering of common stock and \$6.0 million proceeds from the exercise of stock options and warrants.

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The Company's management believes that, based on its current plans and assumptions, the current cash and cash equivalents on hand, short-term investments, together with projected cash flows, will satisfy our operational and capital requirements for the foreseeable future. The Company's management recognizes that the Company may need to obtain additional capital to fund potential acquisitions. Additional funding plans may include obtaining additional capital through equity and/or debt funding sources. No assurance can be given that additional capital, if needed, will be available when required or upon terms acceptable to the Company.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risk for the effect of interest rate changes, foreign currency fluctuations, and changes in the market values of our investments.

Interest Rate Risk

Our exposure to market risk for changes in interest rates relates primarily to our investment portfolio and our long-term debt. Our long-term debt is carried at amortized cost and fluctuations in interest rates do not impact our consolidated financial statements. However, the fair value of our debt, which pays interest at a fixed rate, will generally fluctuate with movements of interest rates, increasing when interest rates are declining and declining when interest rates are increasing. We invest our excess cash in high investment grade money market funds and investment grade short to intermediate-term fixed income securities. Fixed income securities may have their fair market value adversely affected due to a rise in interest rates, and we may suffer losses if forced to sell securities that have declined in market value due to changes in interest rates. For additional information about the Senior Notes and Investments, see Notes 5, 6 and 9 to the consolidated financial statements in Part I, Item 1 of this Quarterly Report.

Foreign Exchange Risk

We operate in the United States and other foreign countries, which creates exposure to foreign currency exchange fluctuations. Net sales and related expenses generated from our international business are primarily denominated in the functional currencies of the corresponding subsidiaries and primarily include Euros, British Pounds, Chinese Yuan, and Indian Rupee.

We have foreign exchange risk related to foreign-denominated cash and cash equivalents. Based on the foreign-denominated cash balance as of September 30, 2021, of \$18.9 million, an assumed 5%, 10%, and 20% adverse change to foreign exchange would result in declines of \$0.9 million, \$1.9 million and \$3.8 million, respectively, recorded in "Accumulated other comprehensive income (loss)", a separate component of stockholders' equity.

We have foreign exchange risk related to our long-term intercompany balances denominated in Euros. Based on the long-term intercompany balances as of September 30, 2021, an assumed 5%, 10%, and 20% adverse change to foreign exchange would result in losses of \$3.9 million, \$7.8 million, and \$15.8 million, respectively, recorded to "Accumulated other comprehensive income".

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures.

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2021. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2021.

In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving the desired control objectives, and in reaching a reasonable level of assurance, management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

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As permitted by SEC guidance for newly acquired businesses, management's assessment of our disclosure controls and procedures did not include an assessment of the controls and procedures of MVE and CRYOPDP, which were acquired October 1, 2020. MVE and CRYOPDP accounted for 42% and 21% of total assets and 52% and 5% of net assets, respectively, as of September 30, 2021 and 47% and 28% of revenues and (96)% and 26% of net loss, respectively, for the nine months ended September 30, 2021.

Changes in internal control over financial reporting.

We have extended our oversight and monitoring processes that support internal control over financial reporting to include the acquired operations of MVE Biological Solutions and CRYOPDP into the Company's overall internal control over financial reporting process. There were no other changes in our internal control over financial reporting during the fiscal quarter ended September 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the ordinary course of business, we are at times subject to various legal proceedings and disputes, including product liability claims. We currently are not aware of any such legal proceedings or claim that we believe will have, individually or in the aggregate, a material adverse effect on our business, operating results or cash flows. It is our practice to accrue for open claims based on our historical experience and available insurance coverage.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this Quarterly Report, you should carefully consider the risk factors described in *Part I, Item 1A, Risk Factors*, in our Annual report on Form 10-K for the year ended December 31, 2020 and the risk factor described below, which could materially and adversely affect our business, financial condition and results of operations. These risk factors do not identify all of the risks that we face. Our business, financial condition and results of operations could also be affected by factors that are not presently known to us or that we currently consider to be immaterial.

Risk Related to Our Business

We depend on the availability of certain component products used in our solutions; delays or increased costs in the procurement of components manufactured by third parties could adversely affect our business operations, financial performance and results of operations, and we may experience customer dissatisfaction and harm to our reputation.

If we fail to procure sufficient components used in our products from our third-party manufacturers, we may be unable to deliver our solutions to our customers on a timely basis, which could lead to customer dissatisfaction and could harm our reputation and ability to compete. We currently acquire various component parts for our solutions from various independent manufacturers, some of which are sole sourced. We would likely experience significant delays or cessation in producing some of these components if a labor strike, natural disaster, public health crisis or other supply disruption were to occur, including as a result of the COVID-19 pandemic, at any of our main suppliers.

For example, there is currently a worldwide shortage of semiconductor, memory and other electronic components affecting many industries. Certain of our MVE Biological Solutions products and our Smartpak system are dependent on some of these electronic components. A continued shortage of electronic components may impact us significantly and could cause us to experience extended lead times and increased prices from our suppliers. Extended lead times and decreased availability of key components could result in a significant disruption to our production schedule and our services, all of which would have an adverse effect on our business operations, financial performance and results of operations. We do not have any guarantees of supply from our third-party suppliers, and in certain cases we have limited contractual arrangements or are relying on standard purchase orders or on component parts available on the open market, which may further result in increased costs combined with reduced availability.

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If we are unable to procure a component from one of our manufacturers, we may be required to enter into arrangements with one or more alternative manufacturing companies, which may cause delays in producing components or result in a significant increase in costs. Even though, we have experienced materials and transportation challenges, to date, we have not experienced any material delay that has adversely impacted our operations, but this does not mean that we will continue to have timely access to adequate supplies of essential materials and components in the future or that supplies of these materials and components will be available on satisfactory terms when needed. If our vendors for these materials and components are unable to meet our requirements, fail to make shipments in a timely manner, or ship defective materials or components, we could experience a shortage or delay in supply or fail to meet our contractual requirements, which would adversely affect our results of operations and negatively impact our cash flow and profitability. Continued delay in our ability to produce and deliver our products and services could also cause our customers to purchase alternative products and services from our competitors and/or harm our reputation.

The retirement of older telecommunications technology, such as 2G and 3G, by cellular network providers will require updates to our equipment, which could adversely impact our business operations, financial performance and results of operations.

Most providers of cellular networks globally have begun to retire their 2G cellular networks and/or have announced their intentions to retire their 2G and 3G cellular networks sometime in 2022. Certain elements of our operating model, including our SmartPak II® condition monitoring system, currently relies in part on 2G and 3G cellular networks to transmit data to our Cryoport® Logistics Management Platform. We are currently in the process of upgrading our existing equipment that use these cellular networks in order to meet new network standards. Additionally, current delays and uncertainties in the supply chain for semiconductor chips may impact the timely delivery to us of the sensors required to make some of these upgrades. If we are unable to upgrade our existing equipment prior to the retirement of 2G and 3G cellular networks in a timely and cost-effective manner, our business operations, financial performance and results of operations could be materially adversely affected, including due to disruptions in our ability to provide our full monitoring solutions.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Recent Sale of Unregistered Securities

There were no unregistered sales of equity securities during the quarter ended September 30, 2021 other than as reported in our Current Reports on Form 8-K filed with the SEC.

Issuer Purchases of Equity Securities

We did not purchase any shares of our common stock during the quarter ended September 30, 2021.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable

ITEM 5. OTHER INFORMATION

None

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ITEM 6. EXHIBITS

<u>Exhibit Index</u>	
31.1+	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2+	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1+	Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS+	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH+	Inline XBRL Taxonomy Extension Schema Document.
101.CAL+	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF+	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB+	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE+	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104+	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

+ Filed or furnished herewith.

SIGNATURES

In accordance with the requirements of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Cryoport, Inc.

Dated: November 4, 2021

By: /s/ Jerrell W. Shelton
Jerrell W. Shelton
President and Chief Executive Officer

Dated: November 4, 2021

By: /s/ Robert S. Stefanovich
Robert S. Stefanovich
Chief Financial Officer

**CERTIFICATION
CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jerrell W. Shelton, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cryoport, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2021

/s/ Jerrell W. Shelton

JERRELL W. SHELTON
President and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION
CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Robert S. Stefanovich, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cryoport, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2021

/s/ Robert S. Stefanovich

ROBERT S. STEFANOVICH
Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Cryoport, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jerrell W. Shelton, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jerrell W. Shelton

JERRELL W. SHELTON
President and Chief Executive Officer

November 4, 2021

In connection with the Quarterly Report of Cryoport, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Robert S. Stefanovich, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Robert S. Stefanovich

ROBERT S. STEFANOVICH
Chief Financial Officer

November 4, 2021

A signed original of this written statement required by Section 906 has been provided to Cryoport, Inc. and will be retained by Cryoport, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

This Certification is being furnished pursuant to Rule 15(d) and shall not be deemed "filed" for purposes of Section 18 of the Exchange Act (15 U.S.C. 78r), or otherwise subject to the liability of that section. This Certification shall not be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.
