
**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, 2022

OR

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 28, 2022 there were 48,999,839 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, 2022 (unaudited)	December 31, 2021
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 30,724	\$ 139,101
Short-term investments	498,801	489,698
Accounts receivable, net	44,419	39,412
Inventories	24,542	16,501
Prepaid expenses and other current assets	10,639	8,804
Total current assets	609,125	693,516
Property and equipment, net	57,680	49,029
Operating lease right-of-use assets	24,820	20,675
Intangible assets, net	192,140	201,427
Goodwill	147,458	146,954
Deposits	926	950
Deferred tax assets	1,642	419
Total assets	<u>\$ 1,033,791</u>	<u>\$ 1,112,970</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable and other accrued expenses	\$ 27,441	\$ 28,583
Accrued compensation and related expenses	8,625	9,912
Deferred revenue	549	547
Current portion of operating lease liabilities	3,007	3,542
Current portion of notes payable	1,010	—
Current portion of finance lease liabilities	96	61
Total current liabilities	40,728	42,645
Convertible senior notes, net	406,071	404,171
Notes payable, net	351	1,086
Operating lease liabilities, net of current portion	23,112	18,144
Finance lease liabilities, net of current portion	171	51
Deferred tax liability	3,037	4,018
Other long-term liabilities	455	298
Contingent consideration	4,145	729
Total liabilities	478,070	471,142
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	16,275	10,275
Common stock, \$0.001 par value; 100,000,000 shares authorized; 48,558,431 and 49,616,154 issued and outstanding at September 30, 2022 and December 31, 2021, respectively	49	50
Additional paid-in capital	1,086,112	1,100,287
Accumulated deficit	(503,787)	(467,541)
Accumulated other comprehensive loss	(42,928)	(1,243)
Total stockholders' equity	555,721	641,828
Total liabilities and stockholders' equity	<u>\$ 1,033,791</u>	<u>\$ 1,112,970</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,	
	2022	2021	2022	2021
Service revenues	\$ 33,296	\$ 30,899	\$ 100,791	\$ 87,342
Product revenues	27,168	25,794	76,128	78,826
Total revenues	<u>60,464</u>	<u>56,693</u>	<u>176,919</u>	<u>166,168</u>
Cost of service revenues	18,913	18,114	56,742	50,409
Cost of product revenues	15,134	15,066	42,581	42,295
Total cost of revenues	<u>34,047</u>	<u>33,180</u>	<u>99,323</u>	<u>92,704</u>
Gross margin	<u>26,417</u>	<u>23,513</u>	<u>77,596</u>	<u>73,464</u>
Operating costs and expenses:				
Selling, general and administrative	30,235	23,901	87,420	69,977
Engineering and development	3,985	4,188	11,045	12,953
Total operating costs and expenses	<u>34,220</u>	<u>28,089</u>	<u>98,465</u>	<u>82,930</u>
Loss from operations	(7,803)	(4,576)	(20,869)	(9,466)
Other income (expense):				
Investment income	2,485	851	5,797	1,618
Interest expense	(1,609)	(1,189)	(4,686)	(3,563)
Other income (expense), net	1,668	(588)	(7,377)	(1,469)
Total other expense, net	<u>2,544</u>	<u>(926)</u>	<u>(6,266)</u>	<u>(3,414)</u>
Loss before provision for income taxes	(5,259)	(5,502)	(27,135)	(12,880)
Provision for income taxes	(57)	(1,024)	(762)	(2,562)
Net loss	\$ (5,316)	\$ (6,526)	\$ (27,897)	\$ (15,442)
Paid-in-kind dividend on Series C convertible preferred stock	(2,000)	(2,000)	(6,000)	(6,196)
Net loss attributable to common stockholders	<u>\$ (7,316)</u>	<u>\$ (8,526)</u>	<u>\$ (33,897)</u>	<u>\$ (21,638)</u>
Net loss per share - basic and diluted	<u>\$ (0.15)</u>	<u>\$ (0.18)</u>	<u>\$ (0.69)</u>	<u>\$ (0.48)</u>
Weighted average shares outstanding – basic and diluted	<u>48,520,696</u>	<u>46,137,147</u>	<u>49,148,558</u>	<u>45,220,319</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>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Net loss	\$ (5,316)	\$ (6,526)	\$ (27,897)	\$ (15,442)
Other comprehensive loss, net of tax:				
Net unrealized loss on available-for-sale debt securities	(6,537)	(384)	(25,912)	(1,544)
Reclassification of realized (gain) loss on available-for-sale debt securities to earnings	—	(31)	46	7
Foreign currency translation adjustments	(7,215)	(512)	(15,819)	(3,666)
Other comprehensive loss	(13,752)	(927)	(41,685)	(5,203)
Total comprehensive loss	<u>\$ (19,068)</u>	<u>\$ (7,453)</u>	<u>\$ (69,582)</u>	<u>\$ (20,645)</u>

See accompanying notes to condensed consolidated financial statements.

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, 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	—	—	—	—	—	—	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 June 30, 2022	—	—	—	—	200,000	14,275	48,482,502	49	1,081,747	(498,471)	(29,176)	568,424
Net loss	—	—	—	—	—	—	—	—	—	(5,316)	—	(5,316)
Other comprehensive loss, net of taxes	—	—	—	—	—	—	—	—	—	—	(13,752)	(13,752)
Stock-based compensation expense	—	—	—	—	—	—	—	—	5,366	—	—	5,366
Paid-in-kind preferred stock dividend	—	—	—	—	—	2,000	—	—	(2,000)	—	—	—
Vesting of restricted stock units	—	—	—	—	—	—	4,500	—	—	—	—	—
Proceeds from exercise of stock options	—	—	—	—	—	—	71,429	—	999	—	—	999
Balance at September 30, 2022	—	\$ —	—	\$ —	200,000	\$ 16,275	48,558,431	\$ 49	\$ 1,086,112	\$ (503,787)	\$ (42,928)	\$ 555,721
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	—	—	—	—	—	—	—	—	11,151	—	—	11,151
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	5,985	—	—	5,986
Balance at September 30, 2021	—	\$ —	—	\$ —	200,000	\$ 8,275	46,207,566	\$ 46	\$ 846,187	\$ (207,455)	\$ 173	\$ 647,226
Balance at December 31, 2021	—	—	—	—	200,000	10,275	49,616,154	50	1,100,287	(467,541)	(1,243)	641,828
Net loss	—	—	—	—	—	—	—	—	—	(27,897)	—	(27,897)
Other comprehensive loss, net of taxes	—	—	—	—	—	—	—	—	—	—	(41,685)	(41,685)
Stock-based compensation expense	—	—	—	—	—	—	—	—	14,749	—	—	14,749
Paid-in-kind preferred stock dividend	—	—	—	—	—	6,000	—	—	(6,000)	—	—	—
Issuance of common stock for Cell&Co acquisition	—	—	—	—	—	—	15,152	—	479	—	—	479
Repurchase of common stock	—	—	—	—	—	—	(1,341,571)	(1)	(24,999)	(8,349)	—	(33,349)
Vesting of restricted stock units	—	—	—	—	—	—	97,062	—	—	—	—	—
Proceeds from exercise of stock options	—	—	—	—	—	—	171,634	—	1,596	—	—	1,596
Balance at September 30, 2022	—	\$ —	—	\$ —	200,000	\$ 16,275	48,558,431	\$ 49	\$ 1,086,112	\$ (503,787)	\$ (42,928)	\$ 555,721

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,	
	2022	2021
Cash Flows From Operating Activities:		
Net loss	\$ (27,897)	\$ (15,442)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	16,631	14,944
Amortization of debt discount	1,930	736
Unrealized loss on investments in equity securities	12,436	308
Realized loss on available-for-sale investments	113	77
Stock-based compensation expense	14,749	11,163
Loss on disposal of property and equipment	574	125
Provision for bad debt	13	263
Excess and obsolete inventory	546	—
Gain on insurance settlement	(4,815)	—
Insurance proceeds for operations	6,429	—
Contingent consideration	145	—
Changes in operating assets and liabilities:		
Accounts receivable	(8,307)	(6,564)
Inventories	(11,179)	(2,980)
Prepaid expenses and other current assets	(1,419)	2,722
Deposits	9	210
Change in operating lease right-of-use assets and lease liabilities	316	303
Accounts payable and other accrued expenses	(3,172)	(2,334)
Accrued compensation and related expenses	(1,218)	1,245
Deferred revenue	(420)	(137)
Deferred tax (asset) liability	(969)	873
Net cash (used in) provided by operating activities	<u>(5,505)</u>	<u>5,512</u>
Cash Flows From Investing Activities:		
Purchases of property and equipment	(14,250)	(15,556)
Insurance proceeds for loss of fixed assets	3,000	—
Software development costs	(965)	(757)
Purchases of short-term investments	(155,353)	(292,280)
Sales/maturities of short-term investments	107,835	41,000
MVE net working capital settlement	—	(500)
Acquisitions, net of cash acquired	(6,554)	(5,040)
Patent and trademark costs	(518)	(150)
Net cash used in investing activities	<u>(66,805)</u>	<u>(273,283)</u>
Cash Flows From Financing Activities:		
Proceeds from exercise of stock options	1,596	5,986
Repurchase of common stock	(33,349)	—
Repayment of notes payable	(2,069)	—
Proceeds from public offering, net of \$17.7 million in offering costs	—	269,825
Repayment of finance lease liabilities	(46)	(44)
Net cash (used in) provided by financing activities	<u>(33,868)</u>	<u>275,767</u>
Effect of exchange rates on cash and cash equivalents	(2,199)	(1,189)
Net change in cash and cash equivalents	(108,377)	6,807
Cash and cash equivalents — beginning of period	139,101	36,873
Cash and cash equivalents — end of period	<u>\$ 30,724</u>	<u>\$ 43,680</u>
Supplemental Disclosure of Non-Cash Financing Activities:		
Conversion of Series C Preferred Stock to common stock	<u>\$ —</u>	<u>\$ 765</u>
Cost of Series C Preferred stock conversion included in additional paid-in-capital and accounts payable and accrued liabilities	<u>\$ —</u>	<u>\$ 1,800</u>
CRYOPDP goodwill adjustment included in deferred tax liability	<u>\$ —</u>	<u>\$ 930</u>
CRYOPDP goodwill adjustment included in fixed assets	<u>\$ —</u>	<u>\$ 70</u>
Fair value adjustment of CTSA contingent consideration included in goodwill and contingent consideration	<u>\$ —</u>	<u>\$ 112</u>
Note valuation adjustment included in notes payable and goodwill	<u>\$ —</u>	<u>\$ 284</u>
Net unrealized loss on available-for-sale securities	<u>\$ (25,912)</u>	<u>\$ (1,544)</u>
Reclassification of realized loss on available-for-sale debt securities to earnings	<u>\$ (46)</u>	<u>\$ (10)</u>
Paid-in-kind preferred stock dividend	<u>\$ 6,000</u>	<u>\$ 6,196</u>
Fixed assets included in accounts payable and accrued liabilities	<u>\$ 481</u>	<u>\$ 1,554</u>
Receivable included in prepaid expenses and other current assets	<u>\$ 3,033</u>	<u>\$ —</u>
Common stock issued for Cell&Co acquisition	<u>\$ 479</u>	<u>\$ —</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, 2022 and 2021
(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, 2022 are not necessarily indicative of the results that may be expected for the year ending December 31, 2022. 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, 2021.

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 serves the life sciences industry as a provider of integrated temperature-controlled supply chain solutions supporting the biopharma/pharma, animal health, and reproductive medicine markets. Our mission is to support life and health worldwide and we are continuously developing, implementing, and leveraging our supply chain platform, which is designed to deliver comprehensive, unparalleled, and highly differentiated temperature-controlled logistics, packaging, storage, cryogenic systems, informatics, and related services for life science products, regenerative medicine, cellular therapies, and treatments that require unique, specialized cold chain management.

In October 2020, the Company completed both the acquisition of MVE Biological Solutions (the “MVE Acquisition”) and the acquisition of CRYOPDP (the “CRYOPDP Acquisition”). In addition, 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 (Asia-Pacific) and EMEA (Europe, the Middle East, and Africa) regions. In April 2022, the Company completed the acquisition of Cell&Co BioServices (Cell&Co) in Clermont-Ferrand, France (See Note 4).

In July 2022, the Company completed the acquisition of Polar Expres in Madrid, Spain, which provides temperature-controlled logistics solutions dedicated to the life sciences industry, and the acquisition of Cell Matters in Liège, Belgium, which provides cryo-process optimization, cryoprocessing, and cryopreservation solutions to the life sciences industry (See Note 4).

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.

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Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Cryoport, Inc. and its wholly-owned subsidiaries. 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 and purchase price allocations 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, contingent consideration liability, 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, notes payable, and the Company's 0.75% Convertible Senior Notes due in 2026 (the "2026 Senior Notes") and 3.0% Convertible Senior Notes due in 2025 (the "2025 Senior Notes" and together with the 2026 Senior Notes, the "Convertible Senior Notes"). The carrying value for all such instruments, except finance lease liabilities, notes payable and the Convertible Senior Notes, approximates fair value at September 30, 2022 and December 31, 2021 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 notes payable and the Convertible 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, 2022 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, 2022 and December 31, 2021 are net of reserves for doubtful accounts of \$1.2 million and \$1.2 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. At September 30, 2022, there were no customers that accounted for more than 10% of net accounts receivable. At December 31, 2021, there were no customers that accounted for more than 10% of net accounts receivable.

The Company has revenue from foreign customers primarily in the United Kingdom, France, Germany, China and India. During the three months ended September 30, 2022 and 2021, the Company had revenues from foreign customers of approximately \$26.3 million and \$26.4 million, respectively, which constituted approximately 43.4% and 46.5%, respectively, of total revenues. No single customer generated over 10% of revenues during the three months ended September 30, 2022 and 2021.

During the nine months ended September 30, 2022 and 2021, the Company had revenues from foreign customers of approximately \$79.9 million and \$79.0 million, respectively, which constituted approximately 45.2% and 47.5%, respectively, of total revenues. No single customer generated over 10% of revenues during the nine months ended September 30, 2022 and 2021.

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.

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 with its carrying amount and then recognizes an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s 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, 2022.

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, 2022.

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, 2022.

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, 2022 and December 31, 2021, there were no unrecognized tax benefits included in the accompanying consolidated balance sheets that would, if recognized, impact 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 evidence available, 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.

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The Company has recorded a net deferred tax liability in jurisdictions where taxable temporary differences associated with indefinite-lived intangible assets do not support the realization of deferred tax assets with finite carryforward periods. In addition, the Company has recorded a net deferred tax liability in jurisdictions where taxable temporary differences exceed deductible temporary differences.

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, 2022 and December 31, 2021 and has recorded only immaterial interest and/or penalties in the consolidated statements of operations for the nine months ended September 30, 2022 and 2021. The Company is subject to taxation in the U.S., various state jurisdictions and in various foreign countries. As of September 30, 2022, the Company is no longer subject to U.S. federal examinations for years before 2018 and for California franchise and income tax examinations for years before 2017. 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 available from the respective prior periods. The Company is not currently under examination by the U.S. federal or any state taxing jurisdictions. Our foreign subsidiaries are generally subject to examination 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.

On August 16, 2022, the United States enacted the Inflation Reduction Act of 2022, which imposes a 1% excise tax on publicly traded US corporations for the fair market value of any stock repurchased during the tax year that exceeds \$1.0 million, with certain specific exceptions. The excise tax is effective for transactions occurring in taxable years after December 31, 2022.

On June 29, 2020, the State of California passed Assembly Bill ("AB") 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 the preparation of the December 31, 2021 financial statements. On February 9, 2022, the California governor signed Senate Bill ("SB") 113, which was retroactive to January 1, 2021. SB 113 removed the limitations from AB 85 on net operating loss and tax credit usage for the 2022 tax year. This change in our ability to use the net operating loss deduction and R&D credits in California was considered in the preparation of the September 30, 2022 financial statements.

On March 11, 2021, the United States enacted the American Rescue Plan ("ARP"). The ARP includes provisions extending certain Coronavirus Aid, Relief and Economic Security Act (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 2022 and beyond.

The 2017 Tax Cuts and Jobs Act amended the Internal Revenue Code ("Code"), effective for amounts paid or incurred in tax years beginning after December 31, 2021, to eliminate the immediate expensing of research and experimental expenditures ("R&E") and to require taxpayers to charge their R&E Expenditures and software development costs (collectively, "R&E Expenditures") to a capital account. Capitalized costs are required to be amortized over five years (15 years for expenditures attributable to foreign research). Additionally, the R&E credit may only be claimed for costs that are eligible to be treated as R&E expenditures under the Code. This change in the treatment of R&E Expenditures has been considered in the preparation of the September 30, 2022 financial statements.

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

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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.

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 \$0.7 million and \$0.5 million at September 30, 2022 and December 31, 2021, and are included in accounts payable and other accrued expenses. Warranty expense was not material for the nine months ended September 30, 2022 and 2021.

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, 2022 and 2021.

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 \$0.5 million and \$0.5 million at September 30, 2022 and December 31, 2021. During the three months ended September 30, 2022 and 2021, the Company recognized revenues of \$0.3 million and \$0.3 million, respectively, from the related contract liabilities outstanding as the services were performed. During the nine months ended September 30, 2022 and 2021, the Company recognized revenues of \$0.8 million and \$0.3 million, respectively, 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.

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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, 2022 and 2021 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Biopharma/Pharma	\$ 48,570	\$ 46,001	\$ 143,309	\$ 133,878
Animal Health	9,629	8,261	25,985	25,655
Reproductive Medicine	2,265	2,431	7,625	6,635
Total revenues	<u>\$ 60,464</u>	<u>\$ 56,693</u>	<u>\$ 176,919</u>	<u>\$ 166,168</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, 2022 and 2021, were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Americas	\$ 34,211	\$ 30,307	\$ 96,982	\$ 87,177
Europe, the Middle East, and Africa (EMEA)	16,000	14,382	49,041	43,632
Asia Pacific (APAC)	10,253	12,004	30,896	35,359
Total revenues	<u>\$ 60,464</u>	<u>\$ 56,693</u>	<u>\$ 176,919</u>	<u>\$ 166,168</u>

Cost of Service Revenues

Our cost of service 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 consolidated 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 Convertible 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,	
	2022	2021	2022	2021
Net loss	\$ (5,316)	\$ (6,526)	\$ (27,897)	\$ (15,442)
Paid-in-kind dividend on Series C convertible preferred stock	(2,000)	(2,000)	(6,000)	(6,196)
Net loss attributable to common shareholders	\$ (7,316)	\$ (8,526)	\$ (33,897)	\$ (21,638)
Weighted average common shares issued and outstanding - basic and diluted	48,520,696	46,137,147	49,148,558	45,220,319
Basic and diluted net loss per share	\$ (0.15)	\$ (0.18)	\$ (0.69)	\$ (0.48)

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,	
	2022	2021	2022	2021
Stock options	4,491,986	5,727,495	4,406,982	5,673,387
Restricted stock units	733,475	361,791	733,475	361,791
Series C convertible preferred stock	5,607,898	5,283,411	5,607,898	5,283,411
Conversion of 2026 Senior Notes	3,422,780	—	3,422,780	—
Conversion of 2025 Senior Notes	599,954	4,810,002	599,954	4,810,002
	14,856,093	16,182,699	14,771,089	16,128,591

Foreign Currency Transactions

Management has determined that the functional currency of its subsidiaries is the local currency. Assets and liabilities of foreign 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 \$(15.8) million and \$(3.6) million for the nine months ended September 30, 2022 and 2021, 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 September 2022, the FASB issued ASU 2022-04, "Liabilities—Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations," which is intended to enhance the transparency surrounding the use of supplier finance programs in connection with the purchase of goods and services. Supplier finance programs may also be referred to as reverse factoring, payables finance, or structured payables arrangements. The amendments in ASU 2022-04 require a buyer that uses supplier finance programs to disclose sufficient qualitative and quantitative information about the program to allow a user of financial statements to understand the program's nature, activity during the period, changes from period to period, and potential magnitude. ASU 2022-04 is effective for all entities for fiscal years beginning after December 15, 2022 on a retrospective basis, including interim periods with those fiscal years, except for the requirement to disclose roll-forward information, which is effective prospectively for fiscal years beginning after December 15, 2023. We are currently evaluating the impact of this standard on our consolidated financial statements.

In July 2021, the Financial Accounting Standards Board ("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 adopted this standard in the first quarter of fiscal 2022, which did not have a material impact on the Company's consolidated financial statements or disclosures.

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 adopted this standard in the first quarter of fiscal 2022, which did not have a material impact on the Company's consolidated financial statements or disclosures.

Accounting Guidance Issued but Not Adopted at September 30, 2022

In June 2022, the FASB issued ASU 2022-03, "Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions," which amends the guidance in Topic 820, *Fair Value Measurement*, to clarify that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. The amendments also clarify that an entity cannot, as a separate unit of account, recognize

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and measure a contractual sale restriction. In addition, the ASU introduces new disclosure requirements for equity securities subject to contractual sale restrictions that are measured at fair value. ASU 2022-03 is effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years for public business entities. We are currently evaluating the impact of this standard on our consolidated financial statements.

In March 2022, the FASB issued ASU 2022-02, “Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures,” which addresses and amends areas identified by the FASB as part of its post-implementation review of the accounting standard that introduced the current expected credit losses (“CECL”) model. The amendments eliminate the accounting guidance for troubled debt restructurings by creditors that have adopted the CECL model and enhance the disclosure requirements for loan refinancings and restructurings made with borrowers experiencing financial difficulty. In addition, the amendments require disclosure of current-period gross write offs for financing receivables and net investment in leases by year of origination in the vintage disclosures. For entities, such as Cryoport, that have *not* yet adopted the CECL accounting model in ASU 2016-13, the effective date for the amendments in ASU 2022-02 is the same as the effective date in ASU 2016-13 (i.e., fiscal years beginning after December 15, 2022, including interim periods within those fiscal years). We are currently evaluating the impact of this standard on our consolidated financial statements.

In October 2021, the FASB issued ASU 2021-08, “Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers.” ASU 2021-08 requires contract assets and contract liabilities acquired in a business combination to be recognized and measured in accordance with Topic 606, Revenue from Contracts with Customers, on the acquisition date as if the acquirer had entered into the original contract at the same date and on the same terms as the acquiree. ASU 2021-08 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years for public business entities. 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, as the Company was a smaller reporting company as of November 15, 2019, the determination date. We are currently evaluating the impact of adopting this guidance.

Note 4. Acquisitions

2022 Acquisitions

In April 2022, we completed the acquisition of Cell&Co BioServices in Clermont-Ferrand, France with additional operations in Pont-du-Château, France to further enhance our existing global temperature-controlled supply chain capabilities. Cell&Co BioServices is a bioservices business providing biorepository, kitting, and logistics services to the life sciences industry. The purchase consideration was €5.7 million (\$6.2 million), comprised of upfront consideration of €3.2 million (\$3.5 million) in cash, 15,152 shares of the Company’s common stock with a fair value of \$0.4 million, and an earn-out provision with a fair value of €2.0 million (\$2.2 million) based on achieving annual EBITDA targets through 2025, as defined in the share purchase agreement. Of the purchase consideration, \$2.7 million was allocated to goodwill and \$3.4 million to identifiable intangible assets. The valuation of the intangible assets, contingent consideration liability and opening balance sheet are preliminary estimates subject to change as we complete our procedures. The acquired goodwill and intangible assets are not deductible for tax purposes.

In July 2022, the Company completed the acquisition of Polar Expres based in Madrid, Spain, which provides temperature-controlled logistics solutions dedicated to the life sciences industry. Polar Expres operates logistics centers in Madrid and Barcelona supporting the rapidly growing life science market. This acquisition further expands CRYOPDP’s footprint which enhances our existing global temperature-controlled supply chain capabilities and provides us with additional growth opportunities in the EMEA region. The purchase consideration was €2.8 million (\$2.8 million), comprised of cash consideration of €1.4 million (\$1.4 million) and an earn-out provision with a fair value of €1.4 million (\$1.4 million) based on achieving 2024 and 2026 EBITDA targets as defined in the share purchase agreement. Of the purchase consideration, \$1.7 million was allocated to goodwill and \$1.0 million to identifiable intangible assets. The valuation of the intangible assets, contingent consideration liability and opening balance sheet are preliminary estimates subject to change as we complete our procedures. The acquired goodwill and intangible assets are not deductible for tax purposes.

In July 2022, the Company also completed the acquisition of Cell Matters based in Liège, Belgium, which provides cryo-process optimization, cryoprocessing, and cryopreservation solutions to the life sciences industry. The purchase consideration was €3.9

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million (\$4.0 million), €4.7 million (\$4.7 million) was allocated to goodwill after reimbursement of the financial indebtedness at the closing date. Through September 30, 2022, the Company recorded a measurement period adjustment of \$0.1 million related to a transaction leakage refund from the sellers, as defined in the share purchase agreement. The valuation of the opening balance sheet is a preliminary estimate subject to change as we complete our procedures. The acquired goodwill is not deductible for tax purposes.

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 \$0.7 million. The acquisitions include earnout provisions subject to achieving future EBITDA targets through 2025 and certain employment requirements, as defined in the share purchase agreements. The goodwill amount represents synergies related to our existing logistics management services. Through June 30, 2022, the Company recorded combined measurement period adjustments of \$0.8 million, mainly comprised of deferred tax adjustments. The acquired goodwill and intangible assets are not deductible for tax purposes.

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

Cash, cash equivalents and short-term investments consisted of the following as of September 30, 2022 and December 31, 2021 (in thousands):

	September 30, 2022	December 31, 2021
Cash	\$ 28,868	\$ 27,788
Cash equivalents:		
Money market mutual fund	1,856	111,313
Total cash and cash equivalents	<u>30,724</u>	<u>139,101</u>
Short-term investments:		
U.S. Treasury notes and bills	201,390	223,896
Mutual funds	98,747	110,006
Corporate debt securities	198,664	155,796
Total short-term investments	<u>498,801</u>	<u>489,698</u>
Cash, cash equivalents and short-term investments	<u>\$ 529,525</u>	<u>\$ 628,799</u>

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, 2022 were as follows (in thousands):

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. Treasury notes	\$ 211,391	\$ 6	\$ (10,007)	\$ 201,390
Corporate debt securities	214,575	9	(15,920)	198,664
Total available-for-sale investments	<u>\$ 425,966</u>	<u>\$ 15</u>	<u>\$ (25,927)</u>	<u>\$ 400,054</u>

The following table summarizes the fair value of available-for-sale investments based on stated contractual maturities as of September 30, 2022:

	Amortized Cost	Fair Value
Due within one year	\$ 100,284	\$ 98,528
Due after one year through five years	325,682	301,526
Due after five years through ten years	—	—
Total	<u>\$ 425,966</u>	<u>\$ 400,054</u>

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The amortized cost, gross unrealized gains, gross unrealized losses and fair value of available-for-sale investments by type of security at December 31, 2021 were as follows (in thousands):

	<u>Amortized Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
U.S. Treasury notes	\$ 226,020	\$ 12	\$ (2,136)	\$ 223,896
Corporate debt securities	157,527	—	(1,731)	155,796
Total available-for-sale investments	<u>\$ 383,547</u>	<u>\$ 12</u>	<u>\$ (3,867)</u>	<u>\$ 379,692</u>

The following table summarizes the fair value of available-for-sale investments based on stated contractual maturities as of December 31, 2021:

	<u>Amortized Cost</u>	<u>Fair Value</u>
Due within one year	\$ 39,081	\$ 39,035
Due after one year through five years	328,776	325,047
Due after five years through ten years	15,690	15,610
Total	<u>\$ 383,547</u>	<u>\$ 379,692</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 nine months ended September 30, 2022 and 2021 we had realized losses (gains) of \$0.1 million and \$(0.01) million on available-for-sale investments, respectively.

Equity Investments

We held investments in equity securities with readily determinable fair values of \$98.7 million at September 30, 2022. These investments consist of mutual funds that invest primarily in tax-free municipal bonds and treasury inflation protected securities.

Unrealized losses during 2022 and 2021 related to equity securities held at September 30, 2022 and 2021 are as follows (in thousands):

	<u>Nine Months Ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Net losses recognized during the nine months on equity securities	\$ (12,436)	\$ (308)
Less: net gains (losses) recognized during the year on equity securities sold during the period	—	—
Unrealized losses recognized during the nine months on equity securities still held at September 30, 2022 and 2021	<u>\$ (12,436)</u>	<u>\$ (308)</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:

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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.

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.

We 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 carrying values of our assets and liabilities that are required to be measured at fair value on a recurring basis as of September 30, 2022 and December 31, 2021 are classified in the table below in one of the three categories of the fair value hierarchy described above (in thousands):

	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
September 30, 2022				
Assets:				
Money market mutual fund	\$ 1,856	\$ —	\$ —	\$ 1,856
Mutual funds	98,747	—	—	98,747
U.S. Treasury notes	201,390	—	—	201,390
Corporate debt securities	198,664	—	—	198,664
	<u>\$ 500,657</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 500,657</u>
	Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
December 31, 2021				
Assets:				
Money market mutual fund	\$ 111,313	\$ —	\$ —	\$ 111,313
Mutual funds	110,006	—	—	110,006
U.S. Treasury notes	223,896	—	—	223,896
Corporate debt securities	155,796	—	—	155,796
	<u>\$ 601,011</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 601,011</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, 2022.

We carry the Convertible 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. We estimate the fair value of the Convertible Senior Notes 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.

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The following table presents the estimated fair values and the carrying values (in thousands):

	September 30, 2022		December 31, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
2026 Senior Notes	\$ 392,009	\$ 278,266	\$ 390,523	\$ 331,783
2025 Senior Notes	\$ 14,062	\$ 12,131	\$ 13,648	\$ 13,628

The fair value of the contingent consideration was measured at the end of each reporting period using Level 3 inputs. The fair value of the contingent consideration liability for the acquisitions completed 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. The contingent consideration was determined to have an aggregate fair value of \$4.1 million and \$0.7 million which is reflected as contingent consideration liability in the accompanying condensed consolidated balance sheets as of September 30, 2022 and December 31, 2021, respectively. The contingent consideration for the acquisitions, if earned, is to be paid in cash in one 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.

Note 7. Inventory

Inventories consist of the following (in thousands):

	September 30, 2022	December 31, 2021
Raw materials	\$ 17,282	\$ 11,846
Work-in-process	859	670
Finished goods	6,401	3,985
Total	<u>\$ 24,542</u>	<u>\$ 16,501</u>

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, 2022 and 2021 (in thousands):

	September 30,	
	2022	2021
Balance at beginning of year	146,954	145,282
Foreign currency adjustment	(8,165)	(1,093)
Goodwill related to MVE acquisition	—	483
Goodwill related to CRYOPDP acquisition	—	(828)
Goodwill related to CTSA and F-airGate acquisitions	6	2,527
Goodwill related to Cell&Co acquisition	2,451	—
Goodwill related to Polar Expres acquisition	1,702	—
Goodwill related to Cell Matters acquisition	4,510	—
Total	<u>\$ 147,458</u>	<u>\$ 146,371</u>

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Intangible Assets

The following table presents our intangible assets as of September 30, 2022 (in thousands):

	Gross Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Amortization Period (years)
Non-compete agreement	\$ 390	\$ 260	\$ 130	2
Technology	36,080	7,636	28,444	10
Customer relationships	131,447	19,200	112,247	12
Trade name/trademark	793	118	675	12
Agent network	11,583	5,792	5,791	2
Order backlog	2,600	2,600	—	—
Land use rights	2,378	305	2,073	36
Patents and trademarks	45,084	2,304	42,780	—
Total	\$ 230,355	\$ 38,215	\$ 192,140	

The following table presents our intangible assets as of December 31, 2021 (in thousands):

	Gross Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Amortization Period (years)
Non-compete agreement	\$ 390	\$ 201	\$ 189	2
Technology	35,116	4,790	30,326	10
Customer relationships	128,593	11,725	116,868	13
Trade name/trademark	510	112	398	12
Agent network	10,686	3,047	7,639	3
Order backlog	2,600	2,600	—	—
Land use rights	2,378	7	2,371	36
Patents and trademarks	44,566	930	43,636	—
Total	\$ 224,839	\$ 23,412	\$ 201,427	

Amortization expense for intangible assets for the three and nine months ended September 30, 2022 was \$3.4 million and \$11.2 million, respectively. Amortization expense for intangible assets for the three and nine months ended September 30, 2021 was \$3.7 million and \$10.8 million, respectively.

Expected future amortization of intangible assets as of September 30, 2022 is as follows:

Years Ending December 31,	Amount
Remainder of 2022	\$ 3,736
2023	14,940
2024	14,369
2025	12,543
2026	12,307
Thereafter	89,648
	\$ 147,543

Note 9. Convertible Senior Notes

Convertible Senior Notes payable consisted of the following at September 30, 2022 and December 31, 2021 (in thousands):

	September 30, 2022	December 31, 2021
Principal amount of 2025 Senior Notes	\$ 14,344	\$ 14,344
Principal amount of 2026 Senior Notes	402,500	402,500
Less: unamortized debt issuance costs	(10,773)	(12,673)
Net carrying value of Convertible Senior Notes payable	<u>\$ 406,071</u>	<u>\$ 404,171</u>

Interest expense incurred in connection with the Convertible Senior Notes consisted of the following for the three and nine months ended September 30, 2022 and 2021 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Coupon interest	\$ 881	\$ 885	\$ 2,616	\$ 2,600
Amortization of debt issuance costs	635	194	1,903	579
Total interest expense on Convertible Senior Notes	<u>\$ 1,516</u>	<u>\$ 1,079</u>	<u>\$ 4,519</u>	<u>\$ 3,179</u>

The Company's 2025 Senior Notes and 2026 Senior Notes payable of \$14.3 million and \$402.5 million, respectively, are due and payable in 2025 and 2026, respectively.

2026 Senior Notes

On November 12, 2021, the Company issued \$402.5 million aggregate principal amount of 0.75% Convertible Senior Notes due in 2026 (the "2026 Senior Notes"), which includes the initial purchasers' exercise in full of their option to purchase an additional \$52.5 million principal amount of the 2026 Senior Notes, in a private placement exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"). The 2026 Senior Notes are governed by an indenture (the "2026 Indenture") dated November 12, 2021 between the Company, as issuer, and U.S. Bank National Association, as trustee (the "Trustee"). The Company received \$390.4 million from the offering, net of underwriting discounts and commissions of \$12.1 million, and incurred approximately \$0.6 million in third-party offering related costs. The 2026 Senior Notes bear cash interest at a rate of 0.75%, payable semi-annually on June 1 and December 1 of each year, beginning on June 1, 2022 and will mature on December 1, 2026, unless earlier repurchased, redeemed, or converted in accordance with the terms of the 2026 Senior Notes. At September 30, 2022, accrued interest of \$1.0 million is included in accounts payable and accrued liabilities in the accompanying consolidated financial statements. The 2026 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 2026 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.

Noteholders may convert their 2026 Senior Notes at their option into shares of the Company's common stock in the following circumstances: (1) before the close of business on the business day immediately before September 1, 2026, noteholders have the right to convert their 2026 Senior Notes only upon the occurrence of certain events (e.g., if sale price per share of the Company's common stock exceeds 130% of the conversion price for a number of trading days; upon the occurrence of certain corporate events or distributions on the Company's common stock; if the Company calls the 2026 Senior Notes for redemption); and (2) from and after September 1, 2026, noteholders may convert their 2026 Senior Notes at any time at their election until the close of business on the second scheduled trading day immediately before the maturity date. The Company will settle conversions by paying or delivering, as applicable, cash, shares of its common stock or a combination of cash and shares of its common stock, at the Company's election. The 2026 Senior Notes are initially convertible into approximately 3,422,780 shares of the Company's common stock based on the initial conversion rate of 8.5038 shares of the Company's common stock per \$1,000 principal amount of the 2026 Senior Notes, which represents an initial conversion price of approximately \$117.59 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 2026 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 2026 Indenture. However, in no event will the conversion rate be increased to an amount that exceeds 12.3304 shares of the Company's common stock per \$1,000 principal

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amount of 2026 Senior Notes. In addition, the holders of the 2026 Senior Notes may require the Company to repurchase the 2026 Senior Notes at a cash repurchase price equal to the principal amount of the 2026 Senior Notes plus accrued and unpaid interest following the occurrence of a “Fundamental Change” (as described in the 2026 Indenture).

The 2026 Senior Notes will be redeemable, in whole or in part (subject to certain limitations described below), at the Company’s option at any time, and from time to time, on or after December 6, 2024 and on or before the 41st scheduled trading day immediately before the maturity date, at a cash redemption price equal to the principal amount of the 2026 Senior Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date, but only if certain liquidity conditions are satisfied and the last reported sale price per share of the Company’s common stock exceeds 130% of the conversion price on (1) 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 sends the related redemption notice; and (2) the trading day immediately before the date the Company sends such notice. However, the Company may not redeem less than all of the outstanding 2026 Senior Notes unless at least \$100.0 million aggregate principal amount of 2026 Senior Notes are outstanding and not called for redemption as of the time the Company sends the related redemption notice. In addition, calling any 2026 Senior Notes for redemption will constitute a Make-Whole Fundamental Change with respect to the 2026 Senior Notes, in which case the conversion rate applicable to the conversion of that 2026 Senior Notes will be increased in certain circumstances if it is converted during the related redemption conversion period.

The 2026 Senior Notes contain customary terms and events of default. If an event of default involving bankruptcy, insolvency, or reorganization events with respect to the Company (and not solely with respect to a significant subsidiary of the Company) occurs, then the principal amount of, and all accrued and unpaid interest on, the 2026 Senior Notes then outstanding will immediately become due and payable without any further action or notice by any person. If any other event of default (as defined in the 2026 Indenture) occurs and is continuing, then, the Trustee, by notice to the Company, or holders of at least 25% of the aggregate principal amount of the 2026 Senior Notes then outstanding, by notice to the Company and the Trustee, may declare the principal amount of, and all accrued and unpaid interest on, all of the 2026 Senior Notes then outstanding to become due and payable immediately. However, notwithstanding the foregoing, the Company may elect, at its option, that the sole remedy for an event of default relating to certain failures by the Company to comply with certain reporting covenants in the 2026 Indenture consists exclusively of the right of the noteholders to receive special interest on the 2026 Senior Notes for up to 180 days at a specified rate per annum not exceeding 0.50% on the principal amount of the 2026 Senior Notes. There were no events of default at September 30, 2022.

The 2026 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 2026 Senior Notes do contain embedded features indexed to its own stock, but do not meet the requirements for bifurcation and recognition as derivatives, and therefore do not need to be separately recognized. Accordingly, the proceeds received from the issuance of the 2026 Senior Notes were recorded as a single liability measured at amortized cost on the consolidated balance sheet.

The Company incurred approximately \$12.6 million of debt issuance costs relating to the issuance of the 2026 Senior Notes, which were recorded as a reduction to the 2026 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 2026 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 2026 Senior Notes. The effective interest rate on the 2026 Senior Notes is 1.39%.

2025 Senior Notes

In May 2020, the Company issued \$115.0 million aggregate principal amount of 3.00% Convertible Senior Notes due in 2025 (the “2025 Senior Notes”), which includes the initial purchasers’ exercise in full of their option to purchase an additional \$15.0 million principal amount of the 2025 Senior Notes, in a private placement exempt from registration under the Securities Act. The 2025 Senior Notes are governed by an indenture (the “2025 Indenture”) dated May 26, 2020 between the Company, as issuer, and U.S. Bank National Association, as 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 2025 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 2025 Senior Notes. At September 30, 2022, accrued interest of \$0.1 million is included in accounts payable and accrued liabilities in the accompanying consolidated financial statements. The 2025 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

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indebtedness that is expressly subordinated to the 2025 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.

At any time before the close of business on the scheduled trading day immediately before the maturity date, holders of the 2025 Senior Notes may convert their 2025 Senior Notes at their option into shares of the Company's common stock. The 2025 Senior Notes were 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 2025 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 2025 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 2025 Indenture. 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 2025 Senior Notes. In addition, the holders of the 2025 Senior Notes may require the Company to repurchase the 2025 Senior Notes at par value plus accrued and unpaid interest following the occurrence of a "Fundamental Change" (as described in the 2025 Indenture).

On or after June 5, 2023, we may redeem the 2025 Senior Notes at our option, in whole and not in part, at a cash redemption price equal to the principal amount of the 2025 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 2025 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 2025 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 2025 Indenture) occurs with respect to the Company, the principal amount of the 2025 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 2025 Indenture) occurs and is continuing, either the Trustee or the holders of at least 25% in aggregate principal amount of the outstanding 2025 Senior Notes may declare the principal amount of the 2025 Senior Notes to be due and payable immediately by notice to the Company. There were no events of default at September 30, 2022.

The 2025 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 2025 Senior Notes do contain embedded features indexed to its own stock, but do not meet the requirements for bifurcation and recognition as derivatives, and therefore do not need to be separately recognized. Accordingly, the proceeds received from the issuance of the 2025 Senior Notes were recorded as a single liability measured at amortized cost on the consolidated balance sheet.

The Company incurred approximately \$4.1 million of debt issuance costs relating to the issuance of the 2025 Senior Notes, which were recorded as a reduction to the 2025 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 2025 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 2025 Senior Notes. The effective interest rate on the 2025 Senior Notes is 3.74%.

On November 9, 2021, the Company entered into separate, privately negotiated note purchase agreements with a limited number of holders of its 2025 Senior Notes pursuant to which the Company repurchased approximately \$100.7 million principal amount of 2025 Senior Notes for an aggregate cash repurchase price of approximately \$351.1 million, which includes accrued and unpaid interest on the repurchased 2025 Senior Notes. The Company used net proceeds from a registered direct placement of its common stock

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to holders of its 2025 Senior Notes, together with a portion of the net proceeds from the issuance of the 2026 Senior Notes, to repurchase the \$100.7 million principal amount of 2025 Senior Notes (see Note 13). This transaction involved contemporaneous exchanges of cash between the Company and the same limited number of holders of the 2025 Senior Notes participating in the issuance of the 2026 Senior Notes. Accordingly, we evaluated the transaction for modification or extinguishment accounting depending on whether the exchange is determined to have substantially different terms. The repurchase of the 2025 Senior Notes and issuance of the 2026 Senior Notes were deemed to have substantially different terms based on the present value of the cash flows. Therefore, the repurchase of the 2025 Senior Notes was accounted for as a debt extinguishment. The Company recorded \$251.8 million as loss on extinguishment of debt on its consolidated statement of operations for the year ended December 31, 2021, which includes the write off of related deferred financing costs of \$2.6 million. After giving effect to the repurchase, the total remaining principal amount outstanding under the 2025 Senior Notes as of September 30, 2022 was \$14.3 million.

In connection with the issuance of the 2025 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 2025 Senior Notes and the shares of the Company’s common stock issuable upon conversion of the 2025 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. In December 2020, the Company filed an automatic shelf registration statement to register the resale of the 2025 Senior Notes and the shares of the Company’s common stock issuable upon conversion of the 2025 Senior Notes. 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 2025 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 2025 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 2025 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 2025 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, 2022, 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.

Note 10. Notes Payable

Notes payable consisted of the following at September 30, 2022 and December 31, 2021 (in thousands):

	September 30, 2022	December 31, 2021
Principal amount of CRYOPDP note payable	\$ 980	\$ 1,133
Principal amount of Cell&Co notes payable	392	—
Less: discount on CRYOPDP note payable	(11)	(47)
Total notes payable	1,361	1,086
Less: current portion of notes payable	(1,010)	—
Notes payable – long term	<u>\$ 351</u>	<u>\$ 1,086</u>

Interest expense incurred in connection with the notes payable consisted of the following for the three and nine months ended September 30, 2022 and 2021 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Interest expense	\$ 1	\$ —	\$ 3	\$ —
Amortization of debt discount	10	43	30	141
Total interest expense on notes payable	<u>\$ 11</u>	<u>\$ 43</u>	<u>\$ 33</u>	<u>\$ 141</u>

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CRYOPDP Note

In connection with the acquisition of CRYOPDP, the Company assumed an interest free unsecured note payable of €4.0 million (\$4.5 million) repayable in two installments. The first installment of €3.0 million (\$3.4 million) was paid in December 2021 and the second installment of €1.0 million (\$1.1 million) is to be repaid no later than December 31, 2022. 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.

Cell&Co Notes

In connection with the acquisition of Cell&Co, the Company assumed two notes payable totaling €0.4 million (\$0.4 million) bearing interest rates of 0.6% and 1.06%, respectively, payable quarterly, maturing in July 2027 and September 2030, respectively.

Future note payments as of September 30, 2022 were as follows (in thousands):

<u>Years Ending December 31,</u>	<u>Amount</u>
2022 (excluding the nine months ended September 30, 2022)	\$ 993
2023	55
2024	56
2025	56
2026	57
Thereafter	155
Total note maturities	1,372
Debt discount	(11)
Net notes payable carrying value	<u>\$ 1,361</u>

Note 11. Leases

The Company has operating 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.

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

	<u>September 30,</u>	
	<u>2022</u>	<u>2021</u>
Operating lease cost	\$ 3,937	\$ 3,162
Finance lease cost:		
Amortization of right-of-use assets	43	46
Interest on finance lease liabilities	5	6
	<u>48</u>	<u>52</u>
Total lease cost	<u>\$ 3,985</u>	<u>\$ 3,214</u>

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

Supplemental Cash Flows Information	Nine Months Ended September 30,	
	2022	2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 3,764	\$ 2,862
Operating cash flows from finance leases	\$ 51	\$ 52
Financing cash flows from finance leases	\$ 44	\$ 46
Right-of-use assets obtained in exchange for lease liabilities (in thousands):		
Operating leases	\$ 5,084	\$ 6,810
Finance leases	\$ 205	\$ —
	September 30,	December 31,
	2022	2021
Weighted-Average Remaining Lease Term		
Operating leases	13.2 years	5.6 years
Finance leases	3.4 years	2.1 years
Weighted-Average Discount Rate		
Operating leases	9.5 %	5.1 %
Finance leases	7.8 %	5.3 %

Future minimum lease payments under non-cancellable leases that have commenced as of September 31, 2022 were as follows (in thousands):

Years Ending December 31	Operating Leases	Finance Leases
2022	\$ 1,280	\$ 27
2023	4,901	117
2024	4,413	58
2025	3,764	58
2026	3,563	42
Thereafter	29,383	3
Total future minimum lease payments	47,304	305
Less imputed interest	(21,185)	(38)
Total	\$ 26,119	\$ 267
	Operating	Finance
	Leases	Leases
Reported as of December 31, 2021		
Current lease liabilities	\$ 3,007	\$ 96
Noncurrent lease liabilities	23,112	171
Total	\$ 26,119	\$ 267

Note 12. Commitments and Contingencies

MVE Biological Solutions Fire

On January 25, 2022, a fire occurred at the MVE Biological Solutions manufacturing facility (“New Prague fire”) located in New Prague, Minnesota. The New Prague facility manufactures aluminum dewars and is one of MVE Biological Solutions’ three global manufacturing facilities. There were no injuries reported and damage was limited to a portion of the facility. As a consequence of the fire damage, the New Prague manufacturing operations were curtailed on an interim basis until the necessary repairs were completed. Production was resumed at the facility during the week of February 14, 2022 and ramped up production toward the end of the first quarter of 2022. The Company estimated that the revenue impact of the New Prague fire was approximately \$9.4 million and was primarily limited to the first quarter.

The New Prague fire resulted in a loss of inventory, fixed assets, and other contents at the site. We have adequate property damage and business interruption insurance under which we filed a claim with the insurance carrier. As of September 30, 2022, the

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Company received \$9.4 million of insurance proceeds and an additional \$3.0 million on October 4, 2022. As a result, the insurance receivable balance of \$3.0 million as of September 30, 2022 was recorded in other current assets in our consolidated balance sheet.

For the three and nine months ended September 30, 2022, the Company recognized gains of \$0.6 million related to the reimbursement of property and equipment and \$4.2 million related to business interruption. Proceeds from insurance settlements, except for those directly related to investing activities, were recognized as cash inflows from operating activities. The losses related to such an event are recognized as incurred. Insurance proceeds are recorded to the extent of the losses and then, only if recovery is realized or probable. Any gains in excess of losses are recognized only when the contingencies regarding the recovery are resolved, and the amount is fixed or determinable.

Facility and Equipment Leases

We lease various principal facilities which include corporate, global logistics and supply chain centers, biostorage, manufacturing, and research and development facilities under operating leases in the United States, including in Tennessee, California, New Jersey, Texas, and Georgia, and internationally in the Netherlands, Portugal, and France. 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 February 2025 (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 Convertible Preferred Stock, 585,000 shares have been designated as Class B Convertible 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.

Repurchase Program

In March 2022, the Company's Board of Directors authorized a repurchase program (the "Repurchase Program") through December 31, 2025, authorizing the repurchase of common stock and/or convertible senior notes in the amount of up to \$100.0 million from time to time, on the open market or otherwise, in such quantities, at such prices, and in such manner as determined by the Company's management at its discretion. The size and timing of any repurchase depended on a number of factors, including the market price of the Company's common stock, general market and economic conditions, and applicable legal requirements. The Company purchased 1,341,571 shares of its common stock under the Repurchase Program during the nine months ended September 30, 2022, at an average price of \$24.84 per share, for an aggregate purchase price of \$33.3 million. These shares were returned to the status of authorized but unissued shares of common stock. All share repurchases were made using cash resources and are reported in the period based on the settlement date of the applicable repurchase.

November 2021 Registered Direct Placement and Stock Purchase Agreements

Concurrent with the issuance of the 2026 Senior Notes in November 2021, the Company conducted a registered direct placement of 3,072,038 shares of its common stock at \$81.10 per share ("Concurrent Placement"). The Company received net proceeds of approximately \$248.9 million, net of offering expenses. The Company used the net proceeds from the Concurrent Placement, together with a portion of the net proceeds from the issuance of the 2026 Senior Notes, to repurchase approximately \$100.7 million principal amount of the 2025 Senior Notes in separate, privately negotiated repurchase transactions with a limited number of holders of the 2025 Senior Notes, for a cash repurchase price of approximately \$351.1 million. The remainder of the net proceeds of approximately \$288.4 million, after deducting banker fees, are expected to be used for general corporate purposes (See Note 9).

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, 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

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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, 2022 and the year ended December 31, 2021 were \$6.0 million and \$8.2 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.

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:

- (1) 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.
- (2) 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.

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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.

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, 2022, approximately 17.7 million shares of common stock were issuable upon vesting, conversion or exercise of stock options, restricted stock units, the Convertible Senior Notes and the Series C Preferred Stock, as follows:

Exercise of stock options	7,382,163
Vesting of restricted stock units	733,475
Conversion of Series C Preferred Stock	5,607,898
Conversion of 2026 Senior Notes	3,422,780
Conversion of 2025 Senior Notes	599,954
Total shares of common stock reserved for future issuances	<u>17,746,270</u>

Note 14. Stock-Based Compensation

Stock Options

We have five stock incentive plans: the 2002 Stock Incentive Plan (the “2002 Plan”), the 2009 Stock Incentive Plan (the “2009 Plan”), 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 2002 Plan, the 2009 Plan, 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, 2022, the Company had 6,026,680 shares available for future awards under the 2018 Plan.

During the nine months ended September 30, 2022 and 2021, we granted stock options at exercise prices equal to the quoted market price of our common stock on the grant date. The fair value of each option grant was estimated on the date of grant using Black-Scholes with the following weighted average assumptions:

	September 30,	
	2022	2021
Expected life (years)	3.8 - 5.2	3.5 - 6.1
Risk-free interest rate	2.1% - 3.7%	0.5% - 0.9%
Volatility	67.5% - 78.6%	64.4% - 80.8%
Dividend yield	0%	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,	
	2022	2021	2022	2021
Cost of revenues	\$ 690	\$ 463	\$ 1,868	\$ 1,154
Selling, general and administrative	4,194	3,322	11,541	9,050
Engineering and development	482	363	1,340	959
	<u>\$ 5,366</u>	<u>\$ 4,148</u>	<u>\$ 14,749</u>	<u>\$ 11,163</u>

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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, 2021	7,027,941	\$ 13.97		
Granted (weighted-average fair value of \$17.34 per share)	573,502	30.46		
Exercised	(171,634)	9.30		
Forfeited	(47,646)	45.90		
Outstanding — September 30, 2022	7,382,163	\$ 15.15	5.2	\$ 91,272
Vested (exercisable) — September 30, 2022	5,910,748	\$ 11.06	4.8	\$ 86,953
Expected to vest after September 30, 2022 (unexercisable)	1,471,415	\$ 31.58	6.8	\$ 4,319

(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, 2022, which was \$24.36 per share.

Total intrinsic value of options exercised during the nine months ended September 30, 2022 and 2021 was \$4.9 million and \$35.7 million, respectively.

As of September 30, 2022, there was unrecognized compensation expense of \$26.6 million related to unvested stock options, which we expect to recognize over a weighted average period of 2.4 years.

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, 2021	373,849	\$ 55.53
Granted	504,537	30.81
Share issuance	(97,062)	55.18
Forfeited	(47,849)	46.70
Outstanding – September 30, 2022	733,475	\$ 39.15

For the three months ended September 30, 2022 and 2021, we recorded stock-based compensation expense on our issued restricted stock units of \$2.1 million and \$1.3 million, respectively. For the nine months ended September 30, 2022 and 2021, we recorded stock-based compensation expense on our issued restricted stock units of \$5.7 million and \$2.8 million, respectively. As of September 30, 2022 there was unrecognized compensation expense of \$24.2 million related to unvested restricted stock units, which we expect to recognize over a weighted average period of 3.0 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, 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; expectations relating to current supply chain impacts; inflationary pressures and the effects of foreign currency fluctuations; expectations relating to the fire at our New Prague manufacturing facility, including expectations that insurance will cover the costs to restore and re-open the facility, as well as related business interruption losses; expectations relating to the impacts on our operations resulting from Russia's invasion of Ukraine; anticipated regulatory filings or approvals with respect to the products of our clients; 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, 2021, as filed with the SEC on February 28, 2022 (the "2021 Annual Report"), 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, 2022 (unaudited) and the consolidated balance sheet as of December 31, 2021 (audited) and the related unaudited condensed consolidated statements of operations, comprehensive loss, and stockholders equity for the three and nine months ended September 30, 2022 and 2021, and cash flows for the nine months ended September 30, 2022 and 2021 and the related notes thereto (see Part I, Item 1. Financial Statements), as well as the audited consolidated financial statements of the Company for years ended December 31, 2021, 2020 and 2019, included in the Company's 2021 Annual Report.

Overview

Cryoport is a global leader in serving the life sciences industry as a trusted provider of integrated temperature-controlled supply chain solutions supporting the biopharma/pharma, animal health, and reproductive medicine markets. Our mission is to support life and health worldwide and we are continuously developing, implementing, and leveraging our supply chain platform, which is designed to deliver comprehensive, unparalleled, and highly differentiated temperature-controlled logistics, packaging, storage, cryogenic systems, informatics, and related services for life science products, regenerative medicine, cellular therapies, and treatments that require unique, specialized cold chain management.

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Spread across 17 countries and 38 locations worldwide, we serve more than 3,000 customers working in biopharmaceutical, animal husbandry and reproductive medicine companies, universities, research institutions and government agencies. Our platform of solutions together with our global team of more than 900 colleagues delivers a unique combination of innovative supply chain technologies and services through our industry-leading brands, Cryoport Systems, CryoStork[®], MVE Biological Solutions, CRYOPDP, and CRYOGENE.

Cryoport's advanced supply chain 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 relied upon for the support of pre-clinical, clinical trials, Investigational New Drug Applications (IND), Biologics License Applications (BLA), and New Drug Applications (NDA) with the FDA, as well as global clinical trials initiated in other countries, where strict regulatory compliance and quality assurance is mandated. 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 September 30, 2022, we supported 643 clinical trials and nine (9) commercial therapies, including KYMRIA[®] by Novartis, YESCARTA and TECARTUS by Gilead/Kite, and BREYANZI and ABECMA by Bristol-Myers Squibb. During the first quarter Gilead's Yescarta[®] was approved by the FDA as a second line treatment for relapsed/refractory large B-cell lymphoma, Bristol Myers' Breyanzi[®] received approval in the EU for the third line treatment of relapsed/refractory large B-cell lymphoma, and Legend/Janssen received approval for Carvykti[™] in the EU for a fifth line treatment of multiple myeloma. A total of six (6) Cryoport supported Biologic License Applications (BLAs) or Marketing Authorization Applications (MAAs) were filed during the nine months ended September 30, 2022. During the remainder of 2022, we anticipate up to an additional seven (7) filings and two (2) new therapy approvals. Also, we are now forecasting a combined total of twenty-six (26) BLA or MAA filings in 2023. Those therapies that receive commercial approval will provide opportunities to become significant revenue drivers for us in the future as the majority of them will require temperature-controlled storage, comprehensive temperature-controlled supply chain support and other 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 and our long track record in the market.

Cryoport's advanced supply chain platform also supports the animal health market and the human reproductive market. The animal health market is mainly composed of supporting animal husbandry, as well as companion and recreation animal health. The human reproductive market is largely composed of In-Vitro Fertilization (IVF) support for patients and clinics.

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 the equipment used and the processes employed during storage, fulfillment, and distribution, further supporting each client's goal of minimizing risk and maximizing success of their respective new biologics or other products and therapies as they are introduced into the global markets.

As part of our services, our platform of technologies provides the ability for Cryoport personnel, and our clients, to monitor conditions of the internal physical environment, geographic location and other specified critical variables for each shipment or sample in near real time. In accordance with client requirements, information is recorded and archived for each shipment or sample for scientific, quality assurance and regulatory purposes in a secure cloud-based system that can be accessed by authorized personnel globally. This information provides an audit trail that can verify the in-shipment or sample condition in which the life sciences commodity, material, product, vaccine, or therapy was shipped and/or stored.

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One of the key important features of our supply chain solutions platform is our suite of sophisticated, cloud-based, logistics management platforms, which are branded as the Cryoport® Logistics Management Platform (the “Cryoportal®”), and CRYOPDP UnIty platform, both of which are supported by an integrated control tower. These platforms support 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, they provide unique and incisive information dashboards and validation documentation for every shipment through data collected by the SmartPak™ Condition Monitoring System(s) (the “SmartPak™”). The Cryoport® can record and retain a fully documented history of all Cryoport Express® and ELITE™ 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. CRYOPDP’s UnIty transportation management platform contains various modules that include tracking, order management, and asset management, all of which report up to a main control tower to ensure full supply chain visibility and supporting analytics.

Cryoport’s MVE Biological Solutions systems are an important part of our global supply chain platform. MVE Biological Solutions is the leading global manufacturer of temperature-controlled storage and distribution equipment and systems. MVE Biological Solutions has set the standard for the manufacture of cryogenic systems including vacuum insulated products and cryogenic freezer and shipper solutions used for storage and/or distribution of critical biological material for more than 50 years. MVE Biological Solutions’ equipment is used extensively throughout the life sciences industry and is the trusted solution within the regenerative medicine space for the storage and distribution of cell and gene therapies. Moreover, Cryoport Systems in conjunction with MVE Biological Solutions are developing a new platform of ultra-low temperature smart packaging for cell and gene therapy distribution through the new purpose-built Cryoport ELITE™ product line. Two products in the Cryoport ELITE™ line that will be launched in 2023 are the Cryosphere™, which is a first of its kind gravitationally stabilized cryogenic shipper aimed at supporting of cell therapies and a novel ELITE™ -80°C shipper, which is purpose built for the support of gene therapy distribution and upstream viral vector products. Both these products are being launched to complement our current Cryoport Express® and CRYOPDP Temperature Controlled Packaging Solutions.

Our advanced technologies and dedicated personnel allow us to continue to expand our services footprint with a growing suite of services, products and competencies supporting the life sciences industry, which currently include information technology, primary and secondary packaging, analytics, logistics distribution, laboratory relocation, biostorage services, embedded logistics support and validation services (e.g., for shipping lanes and packaging) and consulting services. A sample of our client facing, supply chain solutions include the following service platforms:

- Industry leading temperature-controlled packaging and data management at all temperatures via MVE Biological Solutions, Cryoport Systems and CRYOPDP
- Logistics planning, management, and transportation of critical materials globally via Cryoport Systems and CRYOPDP
- cGMP storage and distribution (equipment and services) of life science materials via CRYOGENE, MVE Biological Solutions and Cryoport Systems
- Kitting, labelling, drug return and return therapy destruction via Cryoport Systems
- Consulting services in support of custom primary and secondary packaging, as well as packaging validation and testing services via Cryoport Systems

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These service platforms have been designed to effectively support, for example, the following use cases:

- **Cell-based Autologous Immunotherapy (Personalized Medicine) Solutions**, designed for therapies in which our Cryoport ELITE™, Cryoport Express®, and CRYOPDP Solutions serve as an enabling technology for the safe and efficient storage and transportation of leukapheresis or apheresis blood products as well as manufactured autologous cellular-based immunotherapies. This is accomplished by providing a comprehensive logistics solution for the verified chain-of-condition, chain-of-custody, chain-of-identity, and Chain of Compliance® transport from, (a) the collection of the patient’s blood or cells at a point-of-care setting, to (b) a central processing facility where they are manufactured into a personalized medicine, to (c) the safe, cryogenically preserved delivery of these often irreplaceable cells to a point-of-care treatment facility for infusion into the patient. The Advanced Therapy Shippers™ and Cryoport ELITE™ Shippers are designed specifically for this market. If required, Cryoport Express® Shippers can also serve as a temporary freezer/repository supporting the efficient distribution of the personalized medicine to the patient when and where the medical provider needs it, without the expense and inconvenience of on-sight, cryopreservation storage freezers.
- **Allogeneic Therapy Solutions**, designed for allogeneic therapies in which our Cryoport ELITE™, Cryoport Express®, and CRYOPDP Solutions serve as enabling technologies for the safe and efficient storage and transportation of healthy donor blood products as well as the manufactured allogeneic therapies by providing a comprehensive logistic solutions for the verified chain-of-condition, chain-of-custody, chain-of-identity, and Chain of Compliance® transport from, (a) the blood collection center, to (b) the manufacturing facility for the allogeneic therapy, to (c) a storage and fulfillment facility, or (d) to a point-of-care treatment facility for infusion into the patient. This is another market where the Cryoport Systems’ Advanced Therapy Shippers™ and Cryoport ELITE™ shippers will play a role.
- **Gene Therapy Solutions**, designed for gene therapies in which our Cryoport ELITE™ solution has been purpose designed to be a best-in-class platform for the safe and efficient transportation of gene therapy products at -80°C by providing comprehensive packaging, logistics, and storage solutions for the verified chain-of-condition, chain-of-custody, chain-of-identity, and Chain of Compliance® transport from (a) the manufacturing facility for the gene therapy, to (b) a storage and fulfillment facility, or (c) to a point-of-care treatment facility for infusion into the patient.
- **Direct-to-Patient Solutions**, designed for therapies and/or programs that require distribution to a residential or community care setting. Our CRYOPDP unit has developed specific processes and services in support of Direct-to-Patient requirements that include regulatory, security, accessibility, good distribution practices (GDP), and confidentiality considerations.
- **Consulting Services**, provides our clients an opportunity to leverage our in-house talent and knowledge to design custom logistics plans, perform lane assessment, lane and carrier validation; design custom packaging and validation, permitting clinical trial logistics design; commercial launch planning; systems integration; and end user training. Additionally, our Consulting Services team has developed a “Packaging Center of Excellence” in support of the advanced therapies space.

Cryoport’s mission is to enable the life sciences to save and improve lives around the world by providing certainty throughout the supply chain – one patient, one therapy, one product at a time. Our people, innovative solutions, and industry leading technologies have been designed to exceed current standards to deliver certainty and de-risk the process across the entire supply chain for the life sciences.

The Markets We Serve

Cryoport serves the life sciences industry as a trusted provider of integrated temperature-controlled supply chain solutions supporting the biopharma/pharma, animal health, and reproductive medicine markets.

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 cell and gene therapies, to the storage and delivery of life-saving commercial cell and gene therapies, 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. Cell and gene therapies have become a rapidly growing area of biological drug development, with over \$22.7 billion in funding raised in 2021. There were 1,006 industry-sponsored, global clinical trials underway as of the end of June 2022, as reported by the Alliance for Regenerative Medicine in their H1 2022 Report published in September 2022. These therapeutic approaches have certain supply chain challenges that we believe our solutions are well tailored to address.

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- **Cell Therapies.** As per the Alliance for Regenerative Medicine, cell therapy is “the administration of viable, often purified cells into a patient’s body to grow, replace, or repair damaged tissue for the treatment of a disease. A variety of different types of cells can be used in cell therapy, including hematopoietic (blood-forming) stem cells, skeletal muscle stem cells, neural stem cells, mesenchymal stem cells (adult stem cells that differentiate into structures as connective tissues, blood, lymphatics, bone, and cartilage), lymphocytes, dendritic cells, and pancreatic islet cells. Cell therapies may be autologous, meaning that the patient receives cells from their own body, or they may be allogeneic, meaning the patient receives cells from a donor. Allogeneic cell therapies are often referred to as “off-the-shelf” therapies, as they are derived from a donor who is not the patient, enabling advance preparation and available to the patient immediately at the time of need.”

Cryoport has been focused on the cell and gene therapy market and we have successfully established ourselves as a premier provider of supply chain solutions and now support 643 clinical trials and several commercial programs in the space. Our solutions have been developed to specifically support this space and we offer the highest level of temperature control and visibility within the market. Additionally, Cryoport has developed its Chain of Compliance™ platform that has been specifically developed to support irreplaceable clinical and commercial therapies and of which many of the critical requirements are featured in the recently released ISO 21973 guidance issued by the International Organization for Standardization (ISO) which specifically outlines General Requirement for Transportation of Cells for Therapeutic Use.

- **Gene Therapies.** As per the Alliance for Regenerative Medicine, “Gene therapy seeks to modify or introduce genes into a patient’s body with the goal of durably treating, preventing, or potentially even curing disease, including several types of cancer, viral diseases, and inherited disorders.” These therapies often cost more than \$1,000,000 per patient and are irreplaceable. Significant funding has been committed to this space with more than \$10.2 billion in funding in 2021 as reported by the Alliance for Regenerative Medicine in their 2021 report. Cryoport has developed its ELITE™ -80°C shipper line to support this space as a best-in-class product.

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 medicine for 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 human reproductive medicine market, we are focused on the support of the creation of human life. This is primarily accomplished by supporting 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. More recently, new variants of COVID-19, such as the Omicron variant and its subvariants, which are significantly more contagious than previous strains, have emerged. The spread of these new strains initially caused many government authorities and businesses to reimplement prior restrictions, or impose new restrictions, in an effort to lessen the spread of COVID-19 and its variants. While many of these restrictions have been lifted, there continues to be significant uncertainty related to the ultimate duration and impact that this global pandemic will have on future results of our operations, including due to future actions that may be taken by government authorities and businesses in response to surges in COVID-19 cases. 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, have experienced delays in transportation and increased transportation costs 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 I, Item 1A of our 2021 Annual Report for additional information.

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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; and how quickly and to what extent normal economic and operating conditions can resume. See “Risk Factors—Risk Related to Our Business—The 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 the other risk factors discussed in Part I, Item 1A of the 2021 Annual Report for additional information.

MVE Biological Solutions Fire

On January 25, 2022, a fire occurred at the MVE Biological Solutions manufacturing facility located in New Prague, Minnesota (“New Prague fire”). The New Prague facility manufactures aluminum dewars and is one of MVE Biological Solutions’ three global manufacturing facilities. There were no injuries reported and damage was limited to a portion of the facility. As a consequence of the fire damage, the New Prague manufacturing operations were curtailed on an interim basis until the necessary repairs were completed. Production was resumed at the facility during the week of February 14, 2022 and ramped up production toward the end of the first quarter of 2022. The Company estimated a revenue impact of approximately \$9.4 million, primarily limited to the first quarter of 2022.

The New Prague fire resulted in a loss of inventory, fixed assets, and other contents at the site. We have adequate property damage and business interruption insurance under which we filed a claim with the insurance carrier. As of September 30, 2022, the Company received \$9.4 million of insurance proceeds and an additional \$3.0 million on October 4, 2022. As a result, the insurance receivable balance of \$3.0 million as of September 30, 2022 was recorded in other current assets in our consolidated balance sheet.

For the three and nine months ended September 30, 2022, the Company recognized gains of \$0.6 million related to the reimbursement of property and equipment and \$4.2 million related to business interruption. Proceeds from insurance settlements, except for those directly related to investing activities, were recognized as cash inflows from operating activities. The losses related to such an event are recognized as incurred. Insurance proceeds are recorded to the extent of the losses and then, only if recovery is realized or probable. Any gains in excess of losses are recognized only when the contingencies regarding the recovery are resolved, and the amount is fixed or determinable.

Russian Invasion of Ukraine

On February 24, 2022, Russian forces launched significant military actions against Ukraine, and sustained conflict and disruption in the region remains ongoing. Additionally, the U.S. and foreign government bodies in jurisdictions in which we operate have implemented targeted sanctions and export control measures and have announced potential additional sanctions and export control measures, which have and could in the future result in, among other things, severe or complete restrictions on exports to and other commerce and business dealings involving Russia, certain regions of Ukraine, and/or particular entities and individuals. The impact of these government measures, as well as any further retaliatory actions taken by Russia and the U.S. and foreign government bodies, is currently unknown. Potential impacts related to the conflict could include additional unilateral or multilateral export control and sanctions measures, market disruptions, including significant volatility in commodity prices, credit and capital markets, supply chain and logistics disruptions, adverse global economic conditions resulting from escalating geopolitical tensions and the exclusion of Russian financial institutions from the global banking system, further volatility and fluctuations in foreign currency exchange rates and interest rates, inflationary pressures on raw materials and heightened cybersecurity threats, which could adversely impact our business, financial condition or results of operations, in particular, CRYOPDP’s business activities in Russia and Ukraine, as well as our other European business operations.

Results of Operations

Three months ended September 30, 2022 compared to three months ended September 30, 2021:

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

	Three Months Ended September 30,		\$ Change	% Change
	2022	2021		
	(\$ in 000's)			
Service revenues	\$ 33,296	\$ 30,899	\$ 2,397	7.8 %
Product revenues	27,168	25,794	1,374	5.3 %
Total revenues	60,464	56,693	3,771	6.7 %
Cost of service revenues	(18,913)	(18,114)	(799)	4.4 %
Cost of product revenues	(15,134)	(15,066)	(68)	0.5 %
Total cost of revenues	(34,047)	(33,180)	(867)	2.6 %
Gross margin	26,417	23,513	2,904	12.4 %
Selling, general and administrative	(30,235)	(23,901)	(6,334)	26.5 %
Engineering and development	(3,985)	(4,188)	203	(4.8)%
Investment income	2,485	851	1,634	191.9 %
Interest expense	(1,609)	(1,189)	(420)	35.3 %
Other income (expense), net	1,668	(588)	2,256	(383.5)%
Provision for income taxes	(57)	(1,024)	967	(94.4)%
Net loss	\$ (5,316)	\$ (6,526)	\$ 1,210	(18.6)%
Paid-in-kind dividend on Series C convertible preferred stock	(2,000)	(2,000)	—	— %
Net loss attributable to common stockholders	\$ (7,316)	\$ (8,526)	\$ 1,210	(14.2)%

Total revenues by market (in thousands):

	Three Months Ended September 30,		\$ Change	% Change	% FX Impact ⁽¹⁾
	2022	2021			
Biopharma/Pharma	\$ 48,570	\$ 46,001	\$ 2,569	5.6 %	(4.7)%
Animal health	9,629	8,261	1,368	16.6 %	(3.6)%
Reproductive medicine	2,265	2,431	(166)	(6.8)%	(0.8)%
Total revenues	\$ 60,464	\$ 56,693	\$ 3,771	6.7 %	(4.4)%

(1) Foreign exchange impacts were derived by applying the average currency rates for the same period of the prior year to current period revenues. Refer to the section entitled “Non-GAAP Financial Measures” of this MD&A for additional information.

Revenues. Revenues increased by \$3.8 million, or 6.7%, from \$56.7 million to \$60.5 million for the three months ended September 30, 2022, as compared to the same period in 2021. This increase was a result of the continuing demand for Cryoport’s supply chain systems and services. Revenue for the quarter was adversely impacted by approximately 4.4% or \$2.6 million as a result of foreign currency fluctuations as well as other macroeconomic conditions, including, but not limited to, reoccurring COVID lockdowns in China that temporarily impacted our MVE Biological Solutions manufacturing facility and other parts of our business, the Russia/Ukraine conflict impacting CRYOPDP’s shipping volumes and non-cell and gene clinical trial dynamics in EMEA, and a more cautious approach by customers related to capital allocations due to the macroeconomic environment and heightened inflationary concerns.

Service revenues increased by \$2.4 million, or 7.8%, from \$30.9 million to \$33.3 million for the three months ended September 30, 2022, as compared to the same period in 2021. This increase was driven by strong customer demand for our supply chain solutions provided by Cryoport Systems, and CRYOGENE, partially offset by the impact of the macroeconomic conditions described above, which primarily impacted CRYOPDP’s operations.

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Product revenues increased \$1.4 million, or 5.3%, from \$25.8 million to \$27.2 million for the three months ended September 30, 2022, driven by the demand for MVE Biological Solutions' portfolio of cryogenic stainless-steel freezers, aluminum dewars and related ancillary equipment used in the storage and transport of life sciences commodities, partially offset by the impact of the macroeconomic conditions described above, which we believe have curtailed capital expenditure for MVE Biological Solutions' larger cryogenic systems and freezers toward smaller units.

Revenues by market

Revenue from the biopharma/pharma market increased \$2.6 million, or 5.6%, from \$46.0 million to \$48.6 million for the three months ended September 30, 2022, as compared to the same period in 2021. This increase was driven by revenue growth from the support of global clinical trials and commercially launched therapies as well as general demand for our logistics and biostorage services. We now support 643 global clinical trials, of which 496 trials are in the Americas, 105 are in EMEA and 42 are in APAC, compared to 582 clinical trials supported as of September 30, 2021 (459 in the Americas, 92 in EMEA and 31 in APAC). As of September 30, 2022, we supported 80 Phase 3 clinical trials, of which 58 are in the Americas, 20 are in EMEA, and 2 are in APAC. This compares to 70 Phase 3 trials (48 in the Americas, 21 in EMEA and 1 in APAC) supported as of September 30, 2021. The activity in the clinical trial space, particularly in the Cell and Gene Therapy 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 \$1.4 million, or 16.6%, from \$8.3 million to \$9.6 million for the three months ended September 30, 2022, as compared to the same period in 2021, as a result of an increased demand for MVE Biological Solutions' cryogenic shipper suite.

Revenues in the reproductive medicine market decreased \$0.2 million, or 6.8%, from \$2.4 million to \$2.3 million for the three months ended September 30, 2022, as compared to the same period in 2021. This decrease was driven by a decrease in demand for MVE Biological Solutions' cryogenic freezer suite and partially offset by strong demand for our CryoStork[®] logistics solution.

Gross margin and cost of revenues. Gross margin for the three months ended September 30, 2022 was 43.7% of total revenues, as compared to 41.5% of total revenues for the three months ended September 30, 2021, up 222 basis points year over year. Cost of total revenues increased \$0.9 million to \$34.0 million for the three months ended September 30, 2022, as compared to \$33.2 million in the same period in 2021.

Gross margin for our service revenues was 43.2% of service revenues, as compared to 41.4% of service revenues for the three months ended September 30, 2021, up 182 basis points year over year. 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 44.3% of product revenues, as compared to 41.6% of product revenues for the three months ended September 30, 2021, up 27 basis points year over year. Product revenues, related cost of revenues and resulting gross margins were primarily driven by our MVE Biological Solutions business. Our cost of product revenues was 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.

For the third quarter of 2022, SG&A expenses increased by \$6.3 million, or 26.5% as compared to the third quarter of 2021. This increase is driven by the further build out of our competencies and infrastructure to support the continuing scaling of our business and demand for Cryoport's systems and solutions, such as the two new global supply chain centers in Houston, Texas and Morris Plains, New Jersey for which grand openings were held in June 2022. Wages and associated employee costs increased \$1.8 million from \$10.1 million in 2021 to \$11.9 million in 2022. Stock compensation expense increased by \$1.0 million, facility costs and other overhead allocations increased by \$1.0 million, which includes start-up costs related to our expansions in Houston, Texas and Morris Plains, New Jersey, and depreciation and amortization increased \$0.5 million, primarily due to additional fixed assets purchased or acquired in our recent business acquisitions as compared to the same period in the prior year.

Engineering and development expenses. Engineering and development expenses decreased \$0.2 million, or 4.8%, for the three months ended September 30, 2022, as compared to the same period in 2021. The decrease was primarily due to a decrease of \$0.6 million in consulting, prototype and development costs which was partially offset by an increase of \$0.2 million in wages and associated employee costs to add software development and engineering resources and other expenses. 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 sciences 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® and Cryoport ELITE™ 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 \$1.6 million, for the three months ended September 30, 2022, 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 by \$0.4 million, from \$1.2 million to \$1.6 million for the three months ended September 30, 2022, as compared to the prior year due to interest on the convertible senior notes and amortization of the related debt discount.

Other income (expense), net. The increase in other expense, net for the three months ended September 30, 2022, as compared to the prior year is primarily due to a gain on insurance claim of \$4.8 million related to the New Prague fire and unrealized losses of \$3.7 million on short-term investments and foreign currency fluctuations.

Provision for income taxes. The provision for income taxes decreased \$1.0 million for the three months ended September 30, 2022, as compared to the three months ended September 30, 2021, resulting in effective tax rates of negative 1.1% and negative 18.6%, respectively. The decrease in tax expense and the increase in the effective tax rate for the three months ended September 30, 2022, as compared to the prior year is due to lower taxable foreign earnings subject to tax at differing rates and an increase in our domestic losses which resulted in no additional tax benefit. The negative effective tax rate of 1.1% for the three months ended September 30, 2022, differed from the U.S. federal statutory rate of 21% primarily due to changes in the valuation allowance that we maintain against our deferred tax assets and the relative mix of income earned by certain foreign subsidiaries being taxed at different rates than the U.S. federal statutory rate.

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

Nine months ended September 30, 2022 compared to nine months ended September 30, 2021:

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

	Nine Months Ended September 30,		\$ Change	% Change
	2022	2021		
	(\$ in 000's)			
Service revenues	\$ 100,791	\$ 87,342	\$ 13,449	15.4 %
Product revenues	76,128	78,826	(2,698)	(3.4)%
Total revenues	176,919	166,168	10,751	6.5 %
Cost of service revenues	(56,742)	(50,409)	(6,333)	12.6 %
Cost of product revenues	(42,581)	(42,295)	(286)	0.7 %
Total cost of revenues	(99,323)	(92,704)	(6,619)	7.1 %
Gross margin	77,596	73,464	4,132	5.6 %
Selling, general and administrative	(87,420)	(69,977)	(17,443)	24.9 %
Engineering and development	(11,045)	(12,953)	1,908	(14.7)%
Investment income	5,797	1,618	4,179	258.4 %
Interest expense	(4,686)	(3,563)	(1,123)	31.5 %
Other expense, net	(7,377)	(1,469)	(5,908)	402.1 %
Provision for income taxes	(762)	(2,562)	1,800	(70.3)%
Net loss	\$ (27,897)	\$ (15,442)	\$ (12,455)	80.7 %
Paid-in-kind dividend on Series C convertible preferred stock	(6,000)	(6,196)	196	(3.2)%
Net loss attributable to common stockholders	\$ (33,897)	\$ (21,638)	\$ (12,259)	56.7 %

Total revenues by market (in thousands):

	Nine Months Ended September 30,		\$ Change	% Change	% FX Impact ⁽¹⁾
	2022	2021			
Biopharma/Pharma	\$ 143,309	\$ 133,878	\$ 9,431	7.0 %	(2.7)%
Animal health	25,985	25,655	330	1.3 %	(5.9)%
Reproductive medicine	7,625	6,635	990	14.9 %	(0.7)%
Total revenues	\$ 176,919	\$ 166,168	\$ 10,751	6.5 %	(3.1)%

⁽¹⁾ Foreign exchange impacts were derived by applying the average currency rates for the same period of the prior year to current period revenues. Refer to the section entitled “Non-GAAP Financial Measures” of this MD&A for additional information.

Revenues. Revenues increased by \$10.8 million, or 6.5%, from \$166.2 million to \$176.9 million for the nine months ended September 30, 2022, as compared to the same period in 2021. This increase was a result of the continuing robust demand for Cryoport’s supply chain systems and services, particularly in the biopharma/pharma and reproductive medicine markets, which was partially offset by the New Prague fire that negatively impacted the first quarter of 2022 by approximately \$9.4 million. The New Prague facility manufactures aluminum dewars and is one of MVE Biological Solutions’ three global manufacturing facilities. In addition, revenue for the nine months ended September 30, 2022 was also adversely impacted by approximately 3.1% or \$5.4 million as a result of foreign currency fluctuations, as well as other macroeconomic conditions, including, but not limited to, COVID lockdowns in China that temporarily impacted our MVE Biological Solutions manufacturing facility and other parts of our business, the Russia/Ukraine conflict impacting CRYOPDP’s shipping volumes and non-cell and gene clinical trial dynamics in EMEA, and a more cautious approach by customers related to capital allocations due to the macroeconomic environment and heightened inflationary concerns.

Service revenues increased by \$13.4 million, or 15.4%, from \$87.3 million to \$100.8 million for the nine months ended September 30, 2022, as compared to the same period in 2021. This increase was driven by strong customer demand for our supply chain solutions provided by Cryoport Systems, CRYOGENE and CRYOPDP.

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Product revenues decreased \$2.7 million, or 3.4%, from \$78.8 million to \$76.1 million for the nine months ended September 30, 2022, primarily as a result of the New Prague fire that led to approximately \$9.4 million in revenue loss during the first quarter of 2022 and curtailed capital expenditure for MVE Biological Solutions' larger cryogenic systems and freezers toward smaller units during the third quarter of 2022. Product revenues consists primarily of 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 market through a global network of distributors and direct client relationships.

Revenues by market

Revenue from the biopharma/pharma market increased \$9.4 million, or 7.0%, from \$133.9 million to \$143.3 million for the nine months ended September 30, 2022, as compared to the same period in 2021. This increase was driven by revenue growth from the support of global clinical trials and commercially launched therapies as well as general demand for our logistics and biostorage services, partially offset by the impact of the New Prague fire during the first quarter of 2022 of approximately \$6.7 million. We now support 643 global clinical trials, of which 496 trials are in the Americas, 105 are in EMEA and 42 are in APAC, compared to 582 clinical trials supported as of September 30, 2021 (459 in the Americas, 92 in EMEA and 31 in APAC). As of September 30, 2022, we supported 80 Phase 3 clinical trials, of which 58 are in the Americas, 20 are in EMEA, and 2 are in APAC. This compares to 70 Phase 3 trials (48 in the Americas, 21 in EMEA and 1 in APAC) supported as of September 30, 2021. The activity in the clinical trial space, particularly in the Cell and Gene Therapy 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 \$0.3 million, or 1.3%, from \$25.7 million to \$26.0 million for the nine months ended September 30, 2022, as compared to the same period in 2021. This was due to increased demand for MVE Biological Solutions' cryogenic shipper suite, offset by the New Prague fire which impacted the revenue for the animal health market during the first quarter of 2022 by approximately \$2.4 million. The New Prague manufacturing facility ramped up production towards the end of March 2022.

Revenues in the reproductive medicine market increased \$1.0 million, or 14.9%, from \$6.6 million to \$7.6 million for the nine months ended September 30, 2022, as compared to the same period in 2021. This increase was driven by strong demand for our CryoStork[®] logistics solution and partially offset by a decrease in demand for MVE Biological Solutions' cryogenic freezer suite.

Gross margin and cost of revenues. Gross margin for the nine months ended September 30, 2022 was 43.9% of total revenues, as compared to 44.2% of total revenues for the nine months ended September 30, 2021. The increase was primarily a result of increased costs due to global supply chain constraints, primarily impacting the first quarter of 2022. Cost of total revenues increased \$6.6 million to \$99.3 million for the nine months ended September 30, 2022, as compared to \$92.7 million in the same period in 2021.

Gross margin for our service revenues was 43.7% of service revenues, as compared to 42.3% of service revenues for the nine months ended September 30, 2021. 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 44.1% of product revenues, as compared to 46.3% of product revenues for the nine months ended September 30, 2021. The decrease was a result of increased costs as a result of global supply chain constraints. Product revenues, related cost of revenues and resulting gross margins were primarily driven by our MVE Biological Solutions business. Our cost of product revenues was 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.

For the nine months ended September 30, 2022, SG&A expenses increased by \$17.4 million, or 24.9% as compared to the nine months ended September 30, 2021. This increase is driven by the further build out of our competencies and infrastructure to support the continuing scaling of our business and demand for Cryoport's systems and solutions, such as the two new global supply chain centers in Houston, Texas and Morris Plains, New Jersey for which grand openings were held in June 2022. Wages and associated employee costs increased \$7.7 million from \$29.0 million in 2021 to \$36.7 million in 2022. Stock compensation expense increased \$2.7 million,

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facility costs and other overhead allocations increased \$1.6 million, which includes start-up costs related to our expansions in Houston, Texas and Morris Plains, New Jersey, depreciation and amortization increased \$1.3 million, primarily due to additional fixed assets purchased or acquired in our recent business acquisitions, and marketing, advertising and trade shows increased \$0.6 million compared to the same period in the prior year.

Engineering and development expenses. Engineering and development expenses decreased \$1.9 million, or 14.7%, for nine months ended September 30, 2022, as compared to the same period in 2021. The decrease was primarily due to a decrease of \$3.4 million in consulting, prototype and development costs which was partially offset by an increase of \$0.7 million in wages and associated employee costs to add software development and engineering resources, an increase of \$0.3 million in stock compensation expense and an increase in facility costs, overhead allocations and other miscellaneous expenses. 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 sciences 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® and Cryoport ELITE™ 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 \$4.2 million, for the nine months ended September 30, 2022, 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 by \$1.1 million, from \$3.6 million to \$4.7 million for the nine months ended September 30, 2022, as compared to the prior year due to interest on the convertible senior notes and amortization of the related debt discount.

Other expense, net. The increase in other expense, net for the nine months ended September 30, 2022, as compared to the prior year is primarily due to a gain on insurance claim of \$4.8 million related to the New Prague fire and unrealized losses of \$12.6 million on short-term investments and foreign currency fluctuations.

Provision for income taxes. The provision for income taxes decreased \$1.8 million for the nine months ended September 30, 2022, as compared to the nine months ended September 30, 2021, resulting in effective tax rates of negative 2.8% and negative 19.9%, respectively. The decrease in tax expense and the increase in the effective tax rate for the nine months ended September 30, 2022, as compared to the prior year is due to lower taxable foreign earnings subject to tax at differing rates and an increase in our domestic losses which resulted in no additional tax benefit. The negative effective tax rate of 2.8% for the nine months ended September 30, 2022, differed from the U.S. federal statutory rate of 21% primarily due to changes in the valuation allowance that we maintain against our deferred tax assets and the relative mix of income earned by certain foreign subsidiaries being taxed at different rates than the U.S. federal statutory rate.

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

Non-GAAP Financial Measures

We provide adjusted EBITDA and revenue at constant currency, both non-GAAP financial measures, as supplemental measures to U.S. GAAP measures regarding our operating performance. Non-GAAP financial measures are not calculated in accordance with U.S. GAAP, are 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 and revenue at constant currency, should not be considered as a substitute for, or superior to, measures of financial performance prepared in accordance with U.S. GAAP.

Adjusted EBITDA

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, unrealized gain or loss on investments, foreign currency gain or loss and charges or gains resulting from non-recurring events.

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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.

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

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	2022	2021	2022	2021
GAAP net loss	\$ (5,316)	\$ (6,526)	\$ (27,897)	\$ (15,442)
Non-GAAP adjustments to net loss:				
Depreciation and amortization expense	5,787	5,157	16,631	14,944
Acquisition and integration costs	721	1,450	1,544	3,340
Investment income	(2,485)	(851)	(5,797)	(1,618)
Unrealized loss on investments	3,914	152	12,550	308
Gain on insurance claim	(4,815)	—	(4,815)	—
Foreign currency (gain)/loss	(128)	223	628	325
Interest expense, net	1,609	1,189	4,686	3,563
Stock-based compensation expense	5,366	4,148	14,749	11,163
Income taxes	57	1,024	762	2,562
Adjusted EBITDA	<u>\$ 4,710</u>	<u>\$ 5,966</u>	<u>\$ 13,041</u>	<u>\$ 19,145</u>

Revenue at Constant Currency

We believe that revenue growth is a key indicator of how our Company is progressing from period to period and we believe that the non-GAAP financial measure “revenue at constant currency” is useful to investors in analyzing the underlying trends in revenue. Under U.S. GAAP, revenues received in local (non-U.S. dollar) currency are translated into U.S. dollars at the average exchange rate for the period presented. As a result, fluctuations in foreign currency exchange rates affect the results of our operations and the value of our foreign assets and liabilities, which in turn may adversely affect results of operations and cash flows and the comparability of period-to-period results of operations. When we use the term “constant currency,” it means that we have translated local currency revenues for the current reporting period into U.S. dollars using the same average foreign currency exchange rates for the conversion of revenues into U.S. dollars that we used to translate local currency revenues for the comparable reporting period of the prior year.

Recent fluctuations in foreign currency exchange rates, including the increased strength of the U.S. dollar against the Euro, British Pound, Chinese Yuan, and Indian Rupee has adversely impacted our results of operations and cash flow from our operations in EMEA and APAC. For the three and nine months ended September 30, 2022, our revenues would have been approximately \$2.6 million and \$5.4 million higher, respectively, in constant currency.

However, we also believe that data on constant currency period-over-period changes have limitations, particularly as the currency effects that are eliminated could constitute a significant element of our revenue and could significantly impact our performance. We therefore limit our use of constant currency period-over-period changes to a measure for the impact of currency fluctuations on the translation of local currency revenue into U.S. dollars. We do not evaluate our results and performance without considering both period-over-period changes in non-GAAP constant currency revenue on the one hand and changes in revenue prepared in accordance with U.S. GAAP on the other. We caution the readers of this report to follow a similar approach by considering revenue on constant currency period-over-period changes only in addition to, and not as a substitute for, or superior to, changes in revenue prepared in accordance with U.S. GAAP.

Cryoport, Inc. and Subsidiaries
Revenues by Market at Constant Currency
(Unaudited, in thousands)

	Three Months Ended September 30, 2022			
	Biopharma/ Pharma	Animal Health	Reproductive Medicine	Total
As Reported	\$ 48,570	\$ 9,629	\$ 2,265	\$ 60,464
Non-GAAP Constant Currency	50,846	9,977	2,283	63,106
FX Impact [\$]	\$ (2,276)	\$ (348)	\$ (18)	\$ (2,642)
FX Impact [%]	(4.7)%	(3.6)%	(0.8)%	(4.4)%

	Nine Months Ended September 30, 2022			
	Biopharma/ Pharma	Animal Health	Reproductive Medicine	Total
As Reported	\$ 143,309	\$ 25,985	\$ 7,625	\$ 176,919
Non-GAAP Constant Currency	147,154	27,505	7,682	182,341
FX Impact [\$]	\$ (3,845)	\$ (1,520)	\$ (57)	\$ (5,422)
FX Impact [%]	(2.7)%	(5.9)%	(0.7)%	(3.1)%

Liquidity and Capital Resources

As of September 30, 2022, the Company had cash and cash equivalents of \$30.7 million, \$498.8 million in short-term investments and had working capital of \$568.4 million. Historically, we have financed our operations primarily through sales of equity securities and debt instruments.

For the nine months ended September 30, 2022, our operating activities used \$5.5 million of cash, reflecting the net loss of \$27.9 million offset by non-cash expenses of \$48.8 million primarily comprised of \$16.6 million of depreciation and amortization, \$14.7 million of stock-based compensation, \$12.4 million of unrealized losses on our equity securities, insurance proceeds of \$6.4 million for operations related to the fire at our New Prague, Minnesota manufacturing plant in January 2022, \$1.9 million of amortization of debt discount, as well as \$0.6 million loss on disposal of property and equipment and \$0.5 million of excess and obsolete inventory, which was partially offset by a \$4.8 million gain on the insurance settlement. Also contributing to the cash impact of our net operating loss, excluding non-cash items, was an increase in accounts receivable of \$8.3 million, an increase in inventory of \$11.2 million primarily due to MVE Biological Solutions proactively securing inventory to avoid supply chain delays and cost increases (of which, \$2.1 million relates to the disposal of inventory due to the fire), a decrease in accounts payable and other accrued expenses of \$3.2 million, a decrease in accrued compensation of \$1.2 million and a decrease in deferred taxes of \$1.0 million.

Net cash used in investing activities of \$66.8 million during the nine months ended September 30, 2022 was primarily due to the \$155.4 million purchase of short-term investments, additional purchases of Cryoport Express[®] Shippers, Smart Pak II[™] Condition Monitoring Systems, freezers and computer equipment for \$14.3 million, the acquisitions of Cell&Co, Polar Express and Cell Matters for \$6.6 million and \$1.0 million for the capitalization of software development costs for our Cryoport[®] Logistics Management Platform. These uses of cash were partially offset by the maturity of short-term investments of \$107.8 million and insurance proceeds of \$3.0 million for the loss of fixed assets in connection with the fire at our New Prague, Minnesota manufacturing plant.

Net cash used in financing activities totaled \$33.9 million during the nine months ended September 30, 2022, primarily as a result of \$33.3 million used to repurchase 1,341,571 shares of our common stock under the Repurchase program and \$0.2 million repayment of notes payable which was partially offset by \$1.6 million proceeds from the exercise of stock options.

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 at least the next twelve months. The Company's management recognizes that the Company may need to obtain additional capital to fund its operations and potential acquisitions until sustained profitable operations are achieved. 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.

Repurchase Program

On March 11, 2022, the Company announced that its board of directors authorized a repurchase program (the “Repurchase Program”) through December 31, 2025, authorizing the repurchase of common stock and/or convertible senior notes in the amount of up to \$100.0 million from time to time on the open market or otherwise, in such quantities, at such prices, and in such manner as determined by the Company’s management at its discretion. The size and timing of any repurchase will depend on a number of factors, including the market price of the Company’s common stock, general market and economic conditions, and applicable legal requirements. The Company purchased 1,341,571 shares of its common stock under the Repurchase Program during the nine months ended September 30, 2022, at an average price of \$24.84 per share, for an aggregate purchase price of \$33.3 million. These shares were returned to the status of authorized but unissued shares of common stock.

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. As of September 30, 2022, the estimated fair value of the Convertible Senior Notes was \$290.4 million. For additional information about the Convertible Senior Notes and our 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. The results of operations of, and certain of our intercompany balances associated with, our internationally focused business are exposed to foreign exchange rate fluctuations. Upon consolidation, as foreign exchange rates vary, revenues and other operating results may differ materially from expectations and we may record material gain or losses on the remeasurement of intercompany balances. For example, for the three months ended September 30, 2022, revenues from our international business, which accounted for 36% of our consolidated revenues, decreased by \$2.8 million in comparison with the same period in the prior year as a result of fluctuations in foreign exchange rates. The impact of fluctuations in foreign exchange rates is derived by applying the average currency rates for the same period of the prior year to the current period revenues.

We have foreign exchange risk related to foreign-denominated cash and cash equivalents. Based on the foreign-denominated cash balance as of September 30, 2022, of \$20.7 million, an assumed 5%, 10%, and 20% adverse change to foreign exchange would result in declines of \$1.0 million, \$2.1 million and \$4.2 million, respectively, reported as accumulated other comprehensive income (loss) and included as a separate component of stockholders’ equity.

We have foreign exchange risk related to our long and short-term foreign-denominated intercompany loan balances. Based on the long-term intercompany loan balances as of September 30, 2022, an assumed 5%, 10%, and 20% adverse change to foreign exchange would result in losses of \$3.7 million, \$7.4 million, and \$15.2 million, respectively, recorded to “Accumulated other comprehensive income (loss)”. Based on the short-term intercompany loan balances as of September 30, 2022, an assumed 5%, 10%, and 20% adverse change to foreign exchange would result in losses of \$1.0 million, \$2.0 million, and \$4.5 million, respectively, reported as “Other income (expense), net”.

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, 2022. 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, 2022.

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.

Changes in internal control over financial reporting.

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter ended September 30, 2022 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 the 2021 Annual Report and the risk factors 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.

Risks Related to Our Business

As an increasingly global business, we are exposed to economic, political, and other risks in different countries which could materially reduce our sales, profitability or cash flows, or materially increase our liabilities.

Since we manufacture and sell our products worldwide, our business is subject to risks associated with doing business internationally. Our future results could be harmed by a variety of factors, including:

- changes in foreign currency exchange rates, exchange controls and currency restrictions;
- changes in a specific country’s or region’s political, social or economic conditions;
- political, economic and social instability, including acts of war, such as the recent Russian invasion of Ukraine, as well as continued and any new sanctions against Russia, as further described below;

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- outbreak of disease or illness, such as COVID-19, in any of the countries in which we sell our products or in which we or our suppliers operate;
- tariffs, other trade protection measures, and import or export licensing requirements;
- potentially negative consequences from changes in U.S. and international tax laws;
- difficulty in staffing and managing geographically widespread operations;
- changes in customer capital expenditures due to the increased economic uncertainties and the disruption in the capital markets;
- requirements relating to withholding taxes on remittances and other payments by subsidiaries;
- restrictions on our ability to own or operate subsidiaries, make investments or acquire new businesses in these jurisdictions;
- restrictions on our ability to repatriate dividends from our foreign subsidiaries;
- difficulty in collecting international accounts receivable;
- difficulty in enforcement of contractual obligations under non-U.S. law;
- transportation delays or interruptions; and
- changes in regulatory requirements including as it relates to protection of our intellectual property.

On February 24, 2022, Russian forces launched significant military actions against Ukraine, and sustained conflict and disruption in the region remains ongoing. Additionally, the U.S. and foreign government bodies in jurisdictions in which we operate have implemented targeted sanctions and export control measures and have announced potential additional sanctions and export control measures, which have and could in the future result in, among other things, severe or complete restrictions on exports to and other commerce and business dealings involving Russia, certain regions of Ukraine, and/or particular entities and individuals. The impact of these government measures, as well as any further retaliatory actions taken by Russia and the U.S. and foreign government bodies, is currently unknown. Potential impacts related to the conflict could include additional unilateral or multilateral export control and sanctions measures, market disruptions, including significant volatility in commodity prices, credit and capital markets, supply chain and logistics disruptions, adverse global economic conditions resulting from escalating geopolitical tensions and the exclusion of Russian financial institutions from the global banking system, further volatility and fluctuations in foreign currency exchange rates and interest rates, inflationary pressures on raw materials and heightened cybersecurity threats, which could adversely impact our business, financial condition or results of operations, in particular, CRYOPDP's business activities in Russia, as well as our other European business operations.

The functional currency for most of our foreign operations is the applicable local currency. As a result, fluctuations in foreign currency exchange rates affect the results of our operations and the value of our foreign assets and liabilities, which in turn may adversely affect results of operations and cash flows and the comparability of period-to-period results of operations. For example, recent fluctuations in foreign currency exchange rates, including the increased strength of the U.S. dollar against the Euro, British Pound, Chinese Yuan, and Indian Rupee has adversely impacted our results of operations and cash flow from our operations in EMEA and APAC. Changes in foreign currency exchange rates may also affect the relative prices at which we and foreign competitors sell products in the same market. Foreign governmental policies and actions regarding currency valuation could result in actions by the United States and other countries to offset the effects of such fluctuations. Given the unpredictability and volatility of foreign currency exchange rates, ongoing or unusual volatility may adversely impact our business and financial conditions.

Risks Related to Our Technology and Intellectual Property

We rely upon certain critical information systems, including our Cryoport® software platform, for the operation of our business and the failure of any critical information system could adversely impact our reputation and future revenues and we may be required to increase our spending on data and system security.

We rely upon certain critical information systems, including our Cryoport® software platform which is used by our customers and business partners to automate the entry of orders, prepare customs documentation and facilitate status and location monitoring of shipped orders while in transit. In addition, the provision of service to our customers and the operation of our networks and systems involve the storage and transmission of significant amounts of proprietary information and sensitive or confidential data, including personal information of customers, employees and others. Our technology infrastructure and critical information systems are subject to damage or interruption from a number of potential sources, including unauthorized intrusions, cyberattacks, software viruses or other malware, natural disasters, power failures, employee error or malfeasances and other events. Despite our best efforts, no cybersecurity or emergency recovery process is failsafe, and if our safeguards fail or our technology infrastructure or critical information systems are compromised, the safety and efficiency of our operations could be materially harmed, our reputation could suffer, and we could face additional costs, liabilities, costly legal challenges.

Cyberattacks, data incidents and breaches in the security of our information systems and networks and of the electronic and confidential information in our possession could materially adversely impact our business, financial condition and results of operations, in addition to our reputation and relationships with our employees, customers, suppliers and business partners.

As part of our normal business activities, we collect and store or have access to certain proprietary confidential, and personal information, including information about our employees, customers, suppliers and business partners, which may be entitled to protection under a number of regulatory regimes. The protection and security of our network systems and our own information, as well as information relating to our employees, customers, suppliers, business partners and others, is vitally important to us. Any failure of us to maintain the security of our network systems and the proprietary, confidential, and personal data in our possession, including via the penetration of our network security and the misappropriation of proprietary, confidential and personal information, could result in costly investigations and remediation, business disruption, damage to our reputation, financial obligations to third parties, fines, penalties, regulatory proceedings and private litigation with potentially large costs, and also result in deterioration in our employees', customers', suppliers' and business partners' confidence in us and other competitive disadvantages, and thus could have a material adverse effect on our business, financial condition and results of operations.

The frequency, intensity, and sophistication of cyberattacks and data security incidents has significantly increased in recent years and is constant. As with many other businesses, we are continually subject to cyberattacks and the risk of data security incidents. Due to the increased risk of these types of attacks and incidents, we have implemented information technology and data security tools, measures, and processes designed to protect our networks systems, services, and the personal, confidential or proprietary information in our possession, and to ensure an effective response to any cyberattack or data security incident. We also have privacy and data security policies in place that are designed to detect, prevent, and/or mitigate cyberattacks and data security incidents. Whether or not these policies, tools, and measures are ultimately successful, the expenditures could have an adverse impact on our financial condition and results of operations, and divert management's attention from pursuing our strategic objectives. As newer technologies evolve, we could be exposed to increased risks from cyberattacks, data security events, and data breaches, including those from human error, negligence or mismanagement or from illegal or fraudulent acts.

Although we take the security of our network systems and information seriously, there can be no assurance that the security measures we employ will effectively prevent unauthorized persons from obtaining unauthorized access to our systems and information due to the evolving nature and intensity of cyberattacks and threats to data security, in light of new and sophisticated tools and methods used by criminals and cyberterrorists to penetrate and compromise systems, including computer viruses, malware, ransomware, phishing, misrepresentation, social engineering and forgery, which make it increasingly challenging to anticipate, harder to detect, and more difficult to adequately mitigate these risks. We do not have cyber security insurance, and we may incur significant costs in the event of a successful cyber incident against us or in responding to and recovering from a cyber incident. Additionally, the cost and operational consequences of implementing, maintaining and enhancing further data or system protection measures could increase significantly to overcome increasingly intense, complex and sophisticated global cyber threats.

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, 2022.

Issuer Purchases of Equity Securities

Period	Total Number of Shares (or Units) Purchased ⁽¹⁾	Average Price Paid per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs ⁽²⁾	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
July 1, 2022 through July 31, 2022	—	\$ —	—	\$ —
August 1, 2022 through August 31, 2022	—	\$ —	—	\$ —
September 1, 2022 through September 30, 2022	—	\$ —	—	\$ —
Total	—	—	—	\$ —

(1) These shares were returned to the status of authorized but unissued shares of common stock.

(2) On March 11, 2022, the Company announced that its board of directors authorized the Repurchase Program through December 31, 2025, authorizing the repurchase of common stock and/or convertible senior notes in the amount of up to \$100.0 million from time to time on the open market or otherwise, in such quantities, at such prices, and in such manner as determined by the Company's management at its discretion. The size and timing of any repurchase will depend on a number of factors, including the market price of the Company's common stock, general market and economic conditions, and applicable legal requirements.

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ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable

ITEM 5. OTHER INFORMATION

None

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, 2022

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

Dated: November 4, 2022

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

**CERTIFICATION
OF 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, 2022

/s/ Jerrell W. Shelton
JERRELL W. SHELTON
President and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION
OF 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, 2022

/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, 2022 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, 2022

In connection with the Quarterly Report of Cryoport, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2022 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, 2022

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.
