

FOR IMMEDIATE RELEASE

TSX VENTURE: HTL



## HAMILTON THORNE REPORTS FINANCIAL AND OPERATIONAL RESULTS FOR THE QUARTER-ENDED JUNE 30, 2020

**BEVERLY, MA and TORONTO, Ontario – August 20, 2020** - Hamilton Thorne Ltd. (TSX-V:HTL), a leading provider of precision instruments, consumables, software and services to the Assisted Reproductive Technologies (ART), research, and cell biology markets, today reported unaudited financial and operational results for the quarter and six months ended June 30, 2020.

### Highlights

- Sales decreased 8% year over year to \$7.3 million for the quarter; sales for the six-month period increased 13% to \$17.7 million; (constant currency decline of 8% for the quarter; increase of 14% for the six-month period)
- Gross profit decreased 9% year over year to \$3.8 million for the quarter; increased 10% to \$9.0 million for the six-month period
- Net loss of \$594 thousand for the quarter; net loss of \$449 thousand for the six-month period, largely due to sales and gross profit reduction due to the COVID-19 pandemic, and non-cash loss due to change in fair value of derivative
- Adjusted EBITDA decreased 63% to \$573 thousand for the quarter; decreased 21% to \$2.4 million for the six-month period
- Sales declined 20% in USD on an organic basis and was down 19% in constant currency; sales declined 5% on an organic basis for the six-month period in USD; 4% decline in constant currency
- Cash used in operations was \$791 thousand for the six-month period, primarily to fund increased inventories; total cash on hand at June 30, 2020 was \$18.5 million

“The first quarter of 2020 started off very strong,” stated David Wolf, President and Chief Executive Officer, “with sales results tapering off towards the end of Q1 and continuing into Q2 as the effects of the COVID-19 pandemic impacted our core markets. Sales into the human clinical market were down for the three-month period and somewhat up for the six-month period due to reduced demand for most of our products and services in certain territories, as many IVF clinics reduced their activities. Sales into the human market in the second quarter were also negatively affected by production delays in our incubator product line that were exacerbated by COVID-19 related supply chain problems. Sales into the cell biology/research markets grew substantially during the three- and six-month periods, primarily due to the contribution from the Planer acquisition, augmented by strong toxicology testing equipment sales. Sales into the animal breeding market were also up for both periods.”

Statements of Operations:	Three and Six-Month Periods Ending June 30			
	Three Months		Six Months	
	2020	2019	2020	2019
Sales	\$7,332,559	\$8,009,181	\$17,727,635	\$15,647,238
Gross profit	3,789,611	4,180,727	9,012,405	8,156,526
Operating expenses	4,075,644	3,575,707	8,316,654	6,535,140
Net income (loss)	(594,343)	100,179	(448,941)	(464,062)
Adjusted EBITDA	573,150	1,551,787	2,400,875	3,057,100
Basic earnings per share	(\$0.00)	\$0.00	(\$0.00)	(\$0.00)
Diluted earnings per share	(\$0.00)	\$0.00	(\$0.00)	(\$0.00)

*All amounts are in US dollars, unless specified otherwise, and results, with the exception of Adjusted EBITDA, are expressed in accordance with the International Financial Reporting Standards ("IFRS").*

Mr. Wolf continued, "Gross profit margins decreased slightly to 51.7% for the quarter and to 50.8% for the six months ended June 30, 2020, versus 52.2% and 52.1% for the comparable periods in 2019 primarily due to product mix, the addition of somewhat lower margin sales of Planer products, partially offset by increases in direct sales of higher margin, branded products. Margins were also negatively impacted, primarily in the second quarter, due to certain relatively fixed costs of manufacturing spread over a reduced base of sales."

## **COVID-19 UPDATE**

Mr. Wolf added, "The COVID-19 outbreak continues to add substantial uncertainty to the short- and mid-term outlook for our business. Despite our strong start to the year, we experienced reduced demand for some of our products and services in certain territories as the first quarter developed, which expanded in the second quarter as many IVF clinics reduced their activities. In March 2020 the main scientific bodies that provide guidance to IVF clinics in Europe and the Americas, as well as regulators in certain countries, recommended (or mandated in some cases) that clinics suspend new procedures. Commencing in late April, guidance and regulations in most of Europe and the Americas have encouraged IVF clinics to resume operations with enhanced safety measures. Today, with some notable exceptions, such as India, clinics in most of our major markets are open, though not always running at full capacity. This return to operations, particularly in our key markets such as the US and Germany, has led to a relatively quick improvement in our consumables business – which is more or less linearly tied to clinic activity. Declines in our equipment business have been less pronounced but are expected to take longer to fully recover as customers remain cautious about significant capital expenditures. Our Services business has also had some slowdown due to travel restrictions and reductions in activity, but we expect this area to be less impacted."

"I want to emphasize that we are reporting today on the current state of our business," Mr. Wolf stated. "There are still significant uncertainties around how quickly all IVF clinic operations will return to pre-pandemic levels, the progression of the COVID-19 virus, and the possibility that further lockdowns, regulation, or economic conditions may lead to future reductions in demand on a regional or worldwide basis. These fluctuations in demand for many of our products and services may last for a period of time that is difficult to determine, and could have an adverse effect on financial results in one or more of our future quarters."

Michael Bruns, Chief Financial Officer added, "Cash flow used in operations was \$1.5 million for the quarter after generating Q1 cash from operations of \$709 thousand, due in part to operating losses in Q2 and in part to our decision to substantially increase inventory levels as a precaution against possible supply chain issues. Given the uncertainties surrounding the COVID-19 outbreak, it is impossible to predict whether the Company will generate cash from operations in 2020. However, we currently maintain a strong balance sheet, with cash on hand at June 30 of \$18.5 million, and net bank debt of just under \$10 million following our Q1 precautionary drawdown under our line of credit. Accordingly, we believe that our current cash position should be sufficient to support operations for the next twelve months. We continue to actively manage our acquisition program with a goal of completing one or more meaningful acquisitions every twelve to eighteen months; however, the effects of the COVID-19 outbreak could affect this goal."

The Company reported that operating expenses were generally in line with expectations, with reduced travel and trade show expenses offset by increased personnel costs associated with maintaining pre COVID-19 investments in sales and support personnel.

## Equity Grants

The Company also announced that it has granted a total of 371,000 stock options to purchase common shares and 639,500 restricted share units (RSU's) pursuant to the Company's 2019 Long-Term Equity Incentive Plan (the "Plan"). The options are exercisable at Cdn \$1.38 per share and expire ten years from the date of grant. Each vested RSU entitles the holder to receive one common share of the Company in accordance with the Plan. A total of 458,500 RSU's were granted to the Company's Directors, CEO, CTO, and CFO. Option grants vest over four years and RSU's over 2.8 years.

## Conference Call

The Company will hold a conference call on Thursday, August 20, 2020 at 11:00 a.m. EDT to review highlights of the results. All interested parties are welcome to join the conference call by dialing toll free 1-855-223-7309 in North America, or 647-788-4929 from other locations, and requesting Conference ID 2789186. The Company's updated investor presentation and a recording of the call will be available on Hamilton Thorne's website shortly after the call.

Financial statements and accompanying Management Discussion and Analysis for the periods are available on [www.sedar.com](http://www.sedar.com) and the Hamilton Thorne website.

## About Hamilton Thorne Ltd. ([www.hamiltonthorne.ltd](http://www.hamiltonthorne.ltd))

Hamilton Thorne is a leading global provider of precision instruments, consumables, software and services that reduce cost, increase productivity, improve results and enable breakthroughs in Assisted Reproductive Technologies (ART), research, and cell biology markets. Hamilton Thorne markets its products and services under the Hamilton Thorne, Gynemed, Planer, and Embryotech Laboratories brands, through its growing sales force and distributors worldwide. Hamilton Thorne's customer base consists of fertility clinics, university research centers, animal breeding facilities, pharmaceutical companies, biotechnology companies, and other commercial and academic research establishments.

*Neither the TSX Venture Exchange, nor its regulation services provider (as that term is defined in the policies of the exchange), accepts responsibility for the adequacy or accuracy of this release.*

*The Company has included earnings before interest, income taxes, depreciation, amortization, share-based compensation expense, changes in fair value of derivatives and identified acquisition costs related to completed transactions ("Adjusted EBITDA") as a non-IFRS measure, which is used by management as a measure of financial performance. See section entitled "Use of Non-IFRS Measures" and "Results of Operations" in the Company's Management Discussion and Analysis for the periods covered for further information and a reconciliation of Adjusted EBITDA to Net Income.*

*Certain information in this press release may contain forward-looking statements. This information is based on current expectations that are subject to significant risks and uncertainties that are difficult to predict. Actual results might differ materially from results suggested in any forward-looking statements. The Company assumes no obligation to update the forward-looking statements, or to update the reasons why actual results could differ from those reflected in the forward-looking statements unless and until required by securities laws applicable to the Company. Additional information identifying risks and uncertainties is contained in filings by the Company with the Canadian securities regulators, which filings are available at [www.sedar.com](http://www.sedar.com).*

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