Section 1: 8-K/A (8-K/A)

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

FORM 8-K/A

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 25, 2019

REPLIGEN CORPORATION
(Exact name of registrant as specified in charter)

Delaware	**0-14656**	**04-2729386**
(State or Other Jurisdiction of Incorporation)	**(Commission File Number)**	**(IRS Employer Identification No.)**

41 Seyon Street, Bldg. 1, Suite 100, Waltham, MA 02453
(Address of Principal Executive Offices) (Zip Code)

(781) 250-0111
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	**RGEN**	**The Nasdaq Global Select Market**

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

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. ☐

Explanatory Note

As previously disclosed in its Current Report on Form 8-K filed with the Securities and Exchange Commission on April 26, 2019, as amended on April 29, 2019 (as amended, the "Original 8-K"), Repligen Corporation, a Delaware corporation (the "Company"), entered into a Stock Purchase Agreement (the "Purchase Agreement") with C Technologies, Inc., a New Jersey corporation ("C Technologies"), and Craig Harrison, an individual and the sole stockholder of C Technologies on April 25, 2019. As previously announced, the Company completed its purchase of all of the issued and outstanding capital stock of C Technologies pursuant to the Purchase Agreement on May 31, 2019.

Item 8.01 Other Events.

The Company is filing this Amendment to the Original 8-K to further disclose (i) certain unaudited financial statements of C Technologies, which comprise (A) the balance sheets as of March 31, 2019 and 2018, and the related statements of income, stockholders' equity, and cash flows for the three months then ended, and (B) the related notes to the financial statements; and (ii) (A) the unaudited pro forma condensed combined consolidated balance sheet of the Company as of March 31, 2019, (B) the unaudited pro forma condensed combined consolidated statements of operations of the Company for the twelve months ended December 31, 2018 and for the three months ended March 31, 2019, and (C) the related notes to unaudited pro forma condensed combined consolidated financial statements.

This Amendment to the Original 8-K further amends the Original 8-K to provide additional historical financial statements of C Technologies required under Item 9.01(a) and the pro forma financial information required under Item 9.01(b).

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit Number	Description
2.1*†	Stock Purchase Agreement, dated April 25, 2019, by and among Repligen Corporation, C Technologies and Craig Harrison (incorporated herein by reference to Exhibit 2.1 to Repligen Corporation's Form 8-K filed on April 26, 2019).
23.1	Consent of Independent Accountants (Friedman LLP).
99.1	Press Release by Repligen Corporation, dated April 26, 2019 (incorporated herein by reference to Exhibit 99.1 to Repligen Corporation's Form 8-K filed on April 26, 2019).
99.2	Audited financial statements of C Technologies, which comprise the balance sheets as of December 31, 2018 and 2017, and the related statements of income, stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements (incorporated herein by reference to Exhibit 99.2 to Repligen Corporation's Form 8-K/A filed on April 29, 2019).
99.3	(A) Unaudited Pro Forma Condensed Combined Consolidated Statement of Income of Repligen for the year ended December 31, 2018, (B) Unaudited Pro Forma Condensed Combined Consolidated Balance Sheet of Repligen as of December 31, 2018 and (C) the related Notes to Unaudited Pro Forma Condensed Combined Consolidated Financial Statements (incorporated herein by reference to Exhibit 99.3 to Repligen Corporation's Form 8-K/A filed on April 29, 2019).
99.4	C Technologies' Management's Discussion and Analysis of Financial Conditions and Results of Operations for the year ended December 31, 2018 (incorporated herein by reference to Exhibit 99.4 to Repligen Corporation's Form 8-K/A filed on April 29, 2019).
99.5	Unaudited financial statements of C Technologies, which comprise the balance sheets as of March 31, 2019 and 2018 and the related statements of income, stockholders' equity, and cash flows for the three months then ended, and the related notes to the financial statements.
99.6	(A) Unaudited Pro Forma Condensed Combined Consolidated Statements of Operations of Repligen for the twelve months ended December 31, 2018 and for three months ended March 31, 2019, (B) Unaudited Pro Forma Condensed Combined Consolidated Balance Sheet of Repligen as of March 31, 2019 and (C) the related Notes to Unaudited Pro Forma Condensed Combined Consolidated Financial Statements.

* Schedules, exhibits, and similar supporting attachments or agreements to the Purchase Agreement are omitted pursuant to Item 601(b)(2) of Regulation S-K. Repligen Corporation agrees to furnish a supplemental copy of any omitted schedule or similar attachment to the Securities and Exchange Commission upon request.

† Certain portions of this exhibit, marked by [***], have been omitted as the Company has determined (i) the omitted information is not material and (ii) the omitted information would likely cause competitive harm to the Company if publicly disclosed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

REPLIGEN CORPORATION

By: /s/ Tony J. Hunt
Tony J. Hunt
President and Chief Executive Officer

Date: July 15, 2019

(Back To Top)

Section 2: EX-23.1 (EX-23.1)

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statement of Repligen Corporation on Forms S-3 (File Nos. 333-211436 and 333-231098) and Forms S-8 (File Nos. 333-224978, 333-196456, 333-184284, 333-181670, 333-157168, and 333-89140) of our report dated March 8, 2019, with respect to our audits of the financial statements of C Technologies, Inc., which comprise the balance sheets as of December 31, 2018 and 2017, and the related statements of income, stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements, and our report dated May 8, 2019, with respect to our reviews of the financial statements of C Technologies, Inc., which comprise the balance sheets as of March 31, 2019 and 2018, and the related statements of income, stockholders' equity, and cash flows for the three-month periods ended March 31, 2019 and 2018, and the related notes to the financial statements, which reports are included or incorporated by reference in this Form 8-K/A of Repligen Corporation.

/s/ Friedman LLP

Friedman LLP
East Hanover, NJ
July 15, 2019

(Back To Top)

Section 3: EX-99.5 (EX-99.5)

Exhibit 99.5

C TECHNOLOGIES, INC.

FINANCIAL STATEMENTS

THREE MONTHS ENDED MARCH 31, 2019 AND 2018

AND

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

C TECHNOLOGIES, INC.

TABLE OF CONTENTS

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Stockholder
of C Technologies, Inc.

We have reviewed the accompanying financial statements of C Technologies, Inc., which comprise the balance sheet as of March 31, 2019 and 2018, and the related statements of income, stockholder's equity and cash flows for the three-month periods ended March 31, 2019 and 2018. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Information

Management is responsible for the preparation and fair presentation of the interim financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of interim financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the reviews in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Report on Balance Sheets as of December 31, 2018 and 2017

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheets of C Technologies, Inc. as of December 31, 2018 and 2017, and the related statements of income, stockholder's equity, and cash flows for the years then ended (not presented herein); and in our report dated March 8, 2019, we expressed an unmodified audit opinion on those audited financial statements. In our opinion, the accompanying balance sheet of C Technologies, Inc. as of December 31, 2018 and 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

/s/ Friedman LLP

May 8, 2019

C Technologies, Inc.
Balance Sheets
(Unaudited)

	March 31, 2019	March 31, 2018
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$2,953,000	$11,200,000
Accounts receivable	2,732,000	2,782,000
Inventories, net	2,252,000	1,765,000
Prepaid expenses and other current assets	61,000	48,000
Total current assets	7,998,000	15,795,000
Property and equipment, net	42,000	23,000
Other assets	—	17,000
Total assets	$8,040,000	$15,835,000
Liabilities and stockholder’s equity		
Current liabilities:		
Accounts payable	214,000	233,000
Accrued expenses	991,000	717,000
Deferred revenue, current	1,818,000	1,349,000
Total current liabilities	3,023,000	2,299,000
Deferred revenue, non-current	76,000	147,000
Total liabilities	3,099,000	2,446,000
Commitments and contingencies		
Stockholder’s equity:		
Common stock, $1.00 par value, 400 authorized, 400 shares at March 31, 2019 and 2018 issued and outstanding	—	—
Retained earnings	4,941,000	13,389,000
Total stockholder’s equity	4,941,000	13,389,000
Total liabilities and stockholder’s equity	$8,040,000	$15,835,000

The accompanying notes are an integral part of these financial statements.

C Technologies, Inc.
Statements of Income
(Unaudited)

	Three Months Ended March 31,	
	2019	**2018**
Revenue, net	$ 5,418,000	$ 4,340,000
Operating expenses:		
Cost of revenue	1,803,000	1,451,000
Research and development	160,000	120,000
Selling, general and adminstrative	1,151,000	744,000
Total operating expenses	3,114,000	2,315,000
Income from operations	2,304,000	2,025,000
Other income	5,000	2,000
Net income	$ 2,309,000	$ 2,027,000

The accompanying notes are an integral part of these financial statements.

C Technologies, Inc.
Statements of Stockholder's Equity
(Unaudited)

	Shares	Common Stock	Retained Earnings	Total Stockholder's Equity
December 31, 2016	400	$ —	$ 9,232,000	$ 9,232,000
Net income	—	—	6,045,000	6,045,000
Distributions	—	—	(3,904,000)	(3,904,000)
December 31, 2017	400	—	11,373,000	11,373,000
Net income	—	—	10,662,000	10,662,000
Distributions	—	—	(11,807,000)	(11,807,000)
December 31, 2018	400	—	10,228,000	10,228,000
Net income	—	—	2,309,000	2,309,000
Distributions	—	—	(7,596,000)	(7,596,000)
March 31, 2019	400	$ —	$ 4,941,000	$ 4,941,000

The accompanying notes are an integral part of these financial statements.

C Technologies, Inc.
Statements of Cash Flow
(Unaudited)

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
Cash flows from operating activities:		
Net income	$ 2,309,000	$ 2,027,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,000	5,000
Gain on sale of property and equipment	(5,000)	—
Changes in assets and liabilities:		
Accounts receivable	570,000	1,350,000
Inventories	(512,000)	(243,000)
Prepaid expenses and other assets	(13,000)	(31,000)
Accounts payable	(131,000)	(115,000)
Accrued expenses	84,000	107,000
Deferred revenue	547,000	379,000
Net cash provided by operating activities	2,852,000	3,479,000
Cash flows from investing activities:		
Proceeds from disposal of property and equipment	4,000	—
Net cash used in investing activities	4,000	—
Cash flows from financing activities:		
Distributions to stockholder	(7,596,000)	(11,000)
Net cash used in financing activities	(7,596,000)	(11,000)
Net (decrease) increase in cash and cash equivalents	(4,740,000)	3,468,000
Cash and cash equivalents, beginning of the period	7,693,000	7,732,000
Cash and cash equivalents, end of the period	$ 2,953,000	$11,200,000

The accompanying notes are an integral part of these financial statements.

NOTE 1 – NATURE OF BUSINESS

The accompanying financial statements include the accounts of C Technologies, Inc. (the "Company"). The Company designs and manufactures solutions for the biopharmaceutical industry. Specifically, it has developed a unique way to perform UV/Vis analysis using Slope Spectroscopy. By leveraging the advantages of this technique, the Company has been able to create a platform by which its customers can make off-line or at-line protein concentration measurements of their drug substance, at various points in the manufacturing process. At-line testing can be performed in-house by manufacturing personnel on the production floor, while off-line testing is typically performed by quality control and formulation laboratories within the biopharmaceutical production facility, eliminating the need to send samples off-site for testing. Since SoloVPE has become an accepted standard in the industry for off-line and at-line testing, the Company launched an in-line version of the instrument called FlowVPE which over the next few years will allow manufacturing and production facilities to measure protein concentration in-line, providing real-time protein concentration data during the manufacturing process.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements included herein have been prepared by the Company in accordance with generally accepted accounting principles in the United States ("U.S. GAAP").

Use of Estimates

The preparation of the financial statements require management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The Company's operations are affected by numerous factors including market acceptance, changes in technologies and new laws and government regulations and policies. The Company cannot predict what impact, if any, the occurrence of these or other events might have on the Company's operations.

Significant estimates and assumptions made by management are used for, but not limited to, the allowance for doubtful accounts and sales returns, the reserve for slow moving or obsolete inventories and the fair value of long-lived assets. Actual results could differ from these estimates.

Cash and Cash Equivalents

The Company classifies all highly liquid investments with original maturities of 90 days or less at the time of purchase as cash and cash equivalents.

Concentrations of Credit Risks for Cash

The Company's cash balances in banks are insured by the Federal Deposit Insurance Corporation subject to certain limitations.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

The Company performs ongoing credit evaluations of its customers and generally does not require collateral. Accounts receivable are carried at original invoice amount less any estimate made for doubtful receivables based on a review of all outstanding amounts monthly. No interest is charged on past due accounts. Historically, the Company has not maintained an allowance for doubtful accounts and has incurred zero bad debt expense for the periods ended March 31, 2019 and 2018.

Inventories

Inventories are stated at the lower of cost or net realizable value accounted for using the first-in, first-out method. The Company writes down inventory that has become obsolete, inventory that has a cost basis in excess of its expected net realizable value, and inventory in excess of expected requirements to cost of product revenue. Manufacturing of finished goods is done to order and tested for quality specifications prior to shipment.

Work-in-process and finished products inventories consist of material, labor, outside processing costs and manufacturing overhead.

Long-Lived Assets

Property and equipment are recorded at cost, net of accumulated depreciation and amortization. Depreciation of property and equipment is provided using the straight-line method over the estimated useful lives (ranging from 3 to 20 years). Leasehold improvements are amortized on a straight-line basis over the lesser of the lease term or the estimated useful life of the asset. Amortization of leasehold improvements is included with depreciation expense.

The Company periodically reviews its long-lived assets to determine potential impairment by comparing the carrying value of the long-lived assets with the estimated future net undiscounted cash flows expected to result from the use of the assets, including cash flows from disposition. Long-lived assets evaluated for impairment are grouped with other assets to the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. Should the sum of the expected future net cash flows be less than the carrying value, the Company would recognize an impairment loss at that date. An impairment loss would be measured by comparing the amount by which the carrying value exceeds the fair value (estimated discounted future cash flows) of the long-lived assets. No impairments related to long-lived assets were recorded during the periods ended March 31, 2019 and 2018.

Income Taxes

No provision has been made for federal and state income taxes for the periods ended March 31, 2019 and 2018. The Company has elected to be an “S” Corporation whereby the stockholder accounts for their share of the Company’s earnings, losses, deductions and credits on their federal and state income tax returns.

Sales Taxes

Several states impose a sales tax on product sales to non-exempt customers. The taxes are recorded as liabilities until remitted to state agencies. The Company’s accounting policy is to exclude the tax collected and remitted to the appropriate state from revenue and direct costs.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Defined Contribution Profit Sharing 401(k) Plan

The Company has a defined contribution profit sharing 401(k) plan covering all eligible employees. The Company may make discretionary contributions to the plan.

Revenue Recognition

The Company's revenue recognition policy is to recognize revenues from product sales and services when persuasive evidence of an arrangement exists, product delivery, including customer acceptance, has occurred or services have been rendered, the price is fixed or determinable and collectability is reasonably assured. Determination of whether these criteria have been met are based on management's judgments primarily regarding the fixed nature of the fee charged for the product delivered and the collectability of those fees. The Company has had no significant write-offs of uncollectible invoices in the periods presented.

When more than one element such as equipment, consumables, and services are contained in a single arrangement, the Company allocates revenue between the elements based on each element's relative selling price, provided that each element meets the criteria for treatment as a separate unit of accounting. An item is considered a separate unit of accounting if it has value to the customer on a stand-alone basis. The selling price of the undelivered elements is determined by the price charged when the element is sold separately, or in cases when the item is not sold separately, by third-party evidence of selling price or management's best estimate of selling price.

The Company's product revenues are from the sale of measurement systems, consumables, service contracts, accessories and other products. On product sales to end customers, revenue is recognized, net of discounts, when both the title and risk of loss have transferred to the customer, as determined by the shipping terms provided there are no uncertainties regarding acceptance, and all obligations have been completed. Generally, product arrangements for equipment sales are multiple element arrangements, and may include services, such as installation and training, and multiple products, such as consumables and spare parts. Based on terms and conditions of the product arrangements, the Company believes that these services and undelivered products can be accounted for separately from the delivered product element as the delivered products have value to our customers on a standalone basis. Accordingly, revenue for services not yet performed at the time of product shipment are deferred and recognized as such services are performed. Service contracts are sold separately and accordingly recognized over the life of the contract. The relative selling price of any undelivered products is also deferred at the time of shipment and recognized as revenue when these products are delivered. For product sales to distributors, the Company recognizes revenue for both equipment and consumables upon delivery to the distributor unless direct shipment to the end user is requested. In this case, revenue is recognized upon delivery to the end user's location. In general, distributors are responsible for shipment to the end customer along with installation, training and acceptance of the equipment by the end customer. Sales to distributors are not contingent upon resale of the product.

The Company requires certain customers to prepay for products or services. This prepayment is deferred until appropriate revenue recognition criteria is met.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Product Returns and Warranties

At the time of sale, the Company evaluates the need to accrue for warranty and sales returns. The agreements the Company has with its customers and the related purchase orders identify the terms and conditions of each sale and the price of the goods ordered. Due to the nature of the sales arrangements, inventory produced for sale is tested for quality specifications prior to shipment. Since the product is manufactured to order and in compliance with required specifications prior to shipment, the likelihood of sales return, warranty or other issues is largely diminished. Furthermore, there is no customer right of return in our sales agreements. Sale returns and warranty issues are infrequent and have not had a material impact on the Company's financial statements historically.

Shipping and Handling

Shipping and handling fees are recorded as a component of net revenue, with the associated costs recorded as a component of cost of revenue. Shipping and handling fees recorded as a component of net revenue were approximately $19,000 and $17,000 for the periods ended March 31, 2019 and 2018, respectively.

Research and Development

The Company expenses research and development costs as incurred and include costs associated with the design of new and improved products.

Advertising Costs

Costs associated with advertising and promoting products are expensed as incurred. Advertising and promotion expense was approximately $22,000 and $5,000, during the periods ended March 31, 2019 and 2018, respectively.

Fair Value Measurements

The FASB provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under this framework are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Accordingly, the Company believes the carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses to be representative of their fair values based on their short-term nature. For investments in marketable securities, the carrying amount is fair market value based on quoted market prices.

As of March 31, 2019 and 2018, the Company had no assets or liabilities for which fair value measurement is either required or has been elected to be applied.

New Accounting Pronouncements

The Company considers the applicability and impact of all Accounting Standards Updates on its financial statements. Updates not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on our financial position or results of operations. Recently issued Accounting Standards Updates which management feels may be applicable to the Company are as follows:

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)," ("ASU 2014-09"), which supersedes current revenue recognition guidance, including most industry-specific guidance. ASU 2014-09, as amended, requires a company to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods and services, and also requires enhanced disclosures. The new guidance will be effective for the Company for annual reporting periods beginning after December 15, 2018, and interim periods within annual reporting periods beginning after December 15, 2019. The Company is assessing the impact this standard will have on its financial statements and related disclosures.

In February 2016, the FASB issued ASU 2016-02, Leases, which replaces the existing guidance in ASC 842, Leases. The new standard establishes a right-of-use model that requires a lessee to record a right-of-use asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of income. The new guidance will be effective for the Company beginning January 1, 2020 and early adoption is permitted. The Company is assessing the impact this standard will have on its financial statements and related disclosures.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (Continued)

In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement." ASU 2018-13 includes amendments that aim to improve the effectiveness of fair value measurement disclosures. The amendments in this guidance modify the disclosure requirements on fair value measurements based on the concepts in FASB Concepts Statement, "Conceptual Framework for Financial Reporting – Chapter 8: Notes to Financial Statements," including the consideration of costs and benefits. The amendments become effective for the Company in the year ending December 31, 2020 and early adoption is permitted. The Company is currently assessing the impact that this guidance will have on its financial statements and related disclosures.

NOTE 3 – INVENTORY, NET

Inventories, net consist of the following:

	Three Months Ended March 31,	
	2019	2018
Raw materials	$ 1,120,000	$ 880,000
Work-in-process	300,000	322,000
Finished products	832,000	563,000
Total	$ 2,252,000	$ 1,765,000

NOTE 4 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net consist of the following:

Depreciation expense was $3,000 and $5,000 for the periods ended March 31, 2019 and 2018, respectively.

	Three Months Ended March 31,	
	2019	2018
Manufacturing and other equipment	$ 382,000	$ 382,000
Capitalized software	104,000	104,000
Automobiles	—	75,000
Furniture and fixtures	24,000	24,000
Leasehold improvements	13,000	13,000
Equipment not placed in service	34,000	—
Total property and equipment	557,000	598,000
Less: accumulated depreciation	(515,000)	(575,000)
Property and equipment, net	$ 42,000	$ 23,000

NOTE 5 – ACCRUED EXPENSES

Accrued expenses consist of the following:

	Three Months Ended March 31,	
	2019	2018
Employee compensation	$ 545,000	$ 408,000
Accrued purchases	131,000	154,000
Other accrued expenses	315,000	155,000
Total	$ 991,000	$ 717,000

NOTE 6 – COMMITMENTS AND CONTINGENCIES

Lease Commitments

The Company is obligated under the terms of a third-party operating lease agreement for its facility in Bridgewater, New Jersey. The original agreement entered in July 2004 was renewed several times and currently expires in October 2019. Total rent expense incurred under this agreement during the periods ended March 31, 2019 and 2018 was approximately $60,000.

In 2019, the Company will move to a new office and manufacturing facility in Bridgewater, New Jersey. A new operating lease was signed as of September 2018 and expires in February 2028. This new lease also includes an 8-year commitment to lease furniture provided by the lessor for approximately $31,000 annually.

The Company currently leases one office copier machine through January 2023. Total lease expense related to this copier lease and the predecessor lease approximated $5,000 in each of the periods ended March 31, 2019 and 2018, respectively.

Obligations under non-cancelable operating leases, including the facility leases discussed above, as of March 31, 2019 are approximately as follows:

Years Ending	Total
December 31, 2019 (remaining 9 months)	$ 125,000
December 31, 2020	560,000
December 31, 2021	572,000
December 31, 2022	585,000
December 31, 2023	592,000
Thereafter	3,113,000
Minimum payments	$5,547,000

NOTE 7 – GEOGRAPHIC INFORMATION

Net sales by geographic region for the periods ended March 31, 2019 and 2018 are as follows:

	Three Months Ended March 31,	
	2019	2018
North America	$ 2,979,000	$ 2,849,000
Europe	1,476,000	1,198,000
Asia and the rest of the world	963,000	293,000
Total	$ 5,418,000	$ 4,340,000

Sales to all foreign countries are denominated in U.S. dollars and there are no material differences in gross margin in sales to different countries. There were no significant assets located outside of the United States of America.

NOTE 8 – CONCENTRATIONS OF RISK

As of March 31, 2019 the Company had a net revenue concentration from two customers which represented 11% and 12% of total net revenue. As of March 31, 2018, the Company had a net revenue concentration from one customer which represented 11% of total net revenue.

As of March 31, 2019 and 2018, the Company had a concentration in receivables due from the same customer which represented 15% of total accounts receivable.

NOTE 9 – PRODUCT GROUP INFORMATION

The Company's product groups are based on specific product characteristics and are grouped into systems, consumables, service and fiber optic products. Systems consist primarily of Solo and Flow VPE systems and other materials or accessories utilized by the Company's systems. Consumables consist of single use items that are used with the Company's systems to provide variable path length measurements. Service products primarily relate to system installation, training and preventative maintenance agreements, which typically cover one to three year periods. Fiber optic products consist of custom fiber optic assemblies.

Revenue by product group for the periods ended March 31, 2019 and 2018 is as follows:

	Three Months Ended March 31,	
	2019	2018
Systems	$ 2,493,000	$ 2,016,000
Consumables	1,347,000	899,000
Service	1,206,000	800,000
Fiber optics	372,000	625,000
Total	$ 5,418,000	$ 4,340,000

NOTE 10 – RELATED PARTY TRANSACTIONS

As the Company has elected to be an "S" Corporation, the stockholder has undistributed earnings relating to prior years which has been previously taxed. At March 31, 2019 and 2018, the undistributed earnings were approximately $4,941,000 and $13,389,000, respectively. The Company has elected not to accrue for the undistributed earnings at March 31, 2019 and 2018, as the stockholder can elect to remove them from the Company when desired.

The sole stockholder of the Company is also the Chief Executive Officer of the Company. He receives compensation in the form of salaries, bonus and benefits which are recognized as a component of selling, general and administrative expenses in the Company's statements of income. During the periods ended March 31, 2019 and 2018, total compensation related to the stockholder was approximately $68,000 and $50,000, respectively.

NOTE 11 – SUBSEQUENT EVENT

The Company evaluated subsequent events through May 8, 2019 which is the date the financial statements were available to be issued. Based upon this evaluation, no events required disclosure in or adjustment to the financial statements, other than the following:

On April 25, 2019, the Company entered into a Stock Purchase Agreement with Repligen Corporation., a Massachusetts corporation (the "Acquiror"). Pursuant to the Stock Purchase Agreement, the Acquiror will purchase all of the issued and outstanding capital stock of the Company (the "Share Purchase") for an aggregate purchase price of $240 million. The closing of the Share Purchase is conditioned upon, among other things, the expiration of the applicable waiting period (and any extension thereof) under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 laws and other customary closing conditions. The Stock Purchase Agreement provides for limited termination rights, including, among others, by the mutual consent of the Acquiror and the Company, upon certain breaches of representations, warranties, covenants or agreements, and in the event the Share Purchase has not been consummated before July 24, 2019, subject to the ability to extend under certain circumstances.

(Back To Top)

Section 4: EX-99.6 (EX-99.6)

Exhibit 99.6

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION
INDEX TO FINANCIAL STATEMENTS

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS:

INTRODUCTION

On April 25, 2019, Repligen Corporation ("Repligen") agreed to acquire C Technologies, Inc. ("C Technologies"), pursuant to the terms of a Stock Purchase Agreement (the "Agreement"), by and among Repligen and C Technologies (such acquisition, the "Acquisition").

C Technologies' business consists of two major product categories (i) biotechnology, or Biotech, and (ii) Legacy and Other. Through its Biotech category, C Technologies sells instruments, consumables and accessories that are designed to allow bioprocessing technicians to measure the protein concentration of a liquid sample using C Technologies' Slope Spectroscopy method, which eliminates the need for manual sample dilution. C Technologies' lead product, the SoloVPE instrument platform, was launched in 2008 for off-line and at-line protein concentration measurements conducted in quality control, process development and manufacturing labs in the production of biological therapeutics. C Technologies' FlowVPE platform, an extension of the SoloVPE technology, was designed to allow end users to make in-line protein concentration measurements in filtration, chromatography and fill-finish applications, designed to allow for real-time process monitoring.

The Acquisition will be accounted for as a purchase of a business under ASC 805, Business Combinations. The cash paid for the Acquisition is estimated to be $195.0 million, $186.0 million of which will be consideration transferred pursuant to ASC 805, and $9.0 million of which will be compensation expense for future employment, and 779,221 of unregistered common shares totaling $53.9 million (based on a per share price of $69.22), for a total purchase price of $239.9 million. The $195.0 million in cash paid for the Acquisition consists of $192.0 million per the terms of the Agreement, $3.8 million for the existing cash balance of C Technologies at May 31, 2019, $1.6 million of estimated state tax liabilities assumed that are directly related to the 338(h)(10) election expected to be made as part of the Acquisition, and an estimated working capital adjustment of $0.1 million, offset by reductions for estimated indebtedness of $2.5 million and C Technologies' transaction expenses of $0.1 million.

The accompanying unaudited pro forma condensed combined financial statements combine the historical consolidated financial statements of Repligen and those of C Technologies after giving effect to the Acquisition, using the acquisition method of accounting in accordance with Accounting Standards Codification No. ("ASC") 805, "Business Combinations", and applying the assumptions and adjustments described in the accompanying notes.

The unaudited pro forma condensed combined consolidated statements of operations for the year ended December 31, 2018 are based on our audited historical consolidated financial statements and the audited historical consolidated financial statements of C Technologies, which are incorporated by reference in this Form 8-K, and the unaudited pro forma condensed combined statement of operations for the three months ended March 31, 2019 give effect to the Acquisition as if such acquisition had occurred on January 1, 2018. The unaudited pro forma condensed combined balance sheet gives effect to the Acquisition as if such acquisition had occurred on March 31, 2019. The unaudited pro forma condensed combined financial statements include all material pro forma adjustments necessary for this purpose that are directly attributable to the Acquisition, are factually supportable, and with respect to the pro forma condensed combined statements of operations, are expected to have a continuing impact on the combined results following the Acquisition.

The unaudited pro forma condensed combined financial information herein should be read in conjunction with the historical financial statements and the related notes thereto of Repligen Corporation which are presented in the Annual Report on Form 10-K for the year ended December 31, 2018, filed on March 1, 2019 (File No. 000-14656), Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2019, filed on May 9, 2019 (File No. 000-14656), and the historical financial statements of C Technologies, Inc. which are presented as exhibits and incorporated within this Form 8-K.

The unaudited pro forma condensed combined financial statements of operations is presented for illustrative purposes only and are not necessarily indicative of the operating results or financial position that would have been achieved if the Acquisition had been consummated as of the beginning of the period presented, nor are they necessarily indicative of the future operating results of the combined company. The pro forma adjustments are based upon available information and assumptions that we believe are reasonable. No effect has been given in the pro forma financial statements for synergistic benefits that may be realized through the combination or costs that may be incurred in integrating operations.

Repligen Corporation
Pro Forma Condensed Combined Consolidated Balance Sheet
March 31, 2019
(Unaudited, amounts in thousands)

	Historical Repligen	Historical C Technologies, Inc.	Pro Forma Adjustments	Notes (1)	Pro Forma Combined
Assets					
Current assets					
Cash and cash equivalents	$ 196,135	$ 2,953	$ (5,325)	(a), (b)	$ 193,763
Restricted cash	—	—	35,904	(j)	35,904
Accounts receivable, net	39,341	2,732	—		42,073
Other receivables	21	—	—		21
Inventories	44,920	2,252	1,483	(c)	48,655
Prepaid expenses and other current assets	3,660	61	—		3,721
Total current assets	284,077	7,998	32,062		324,137
Property and equipment, net	34,526	42	—		34,568
Intangible assets, net	132,648	—	90,830	(d)	223,478
Goodwill	326,395	—	144,475	(e)	470,870
Deferred Tax Asset - LT	3,917	—	—		3,917
Operating lease right of use asset	16,185	—	3,836	(q)	20,021
Other assets	173	—	—		173
Total assets	$ 797,921	$ 8,040	$ 271,203		$1,077,164
Liabilities and Stockholders' Equity					
Current liabilities					
Accounts payable	$ 9,823	$ 214	$ —		$ 10,037
Operating lease liability	3,100	—	51	(q)	3,151
Accrued liabilities	12,760	2,809	32,023	(f), (g), (h), (i), (j), (m), (n), (o)	47,592
Convertible senior notes, current portion	104,595	—	—		104,595
Total current liabilities	130,278	3,023	32,074		165,375
Deferred tax liabilities	25,097	—	623	(p)	25,720
Operating lease liability, long-term	17,088	—	3,785	(q)	20,873
Other long-term liabilities	433	76	(60)	(f)	449
Total liabilities	172,896	3,099	36,422		212,417
Commitments and contingencies					
Stockholders' equity					
Common stock	441	—	39	(a), (l)	480
Additional paid-in capital	645,883	—	243,520	(a), (l)	889,403
Accumulated other comprehensive loss	(13,784)	—	—		(13,784)
Accumulated (deficit) earnings	(7,515)	4,941	(8,778)	(g), (h), (l), (m), (n), (o)	(11,352)
Total stockholders' equity	625,025	4,941	234,781		864,747
Total liabilities and stockholders' equity	$ 797,921	$ 8,040	$ 271,203		$1,077,164

(1) See Note 4 to the accompanying notes to unaudited pro forma condensed combined financial statements.

Repligen Corporation
Pro Forma Condensed Combined Consolidated Statements of Operations
For the Twelve Months Ended December 31, 2018
(Unaudited, amounts in thousands, except share and per share data)

	Historical Repligen Year Ended December 31, 2018	Historical C Technologies, Inc. Year Ended December 31, 2018	C Technologies, Inc. Pro Forma Adjustments	Notes (1)	Pro Forma Combined
Revenue	$ 194,032	$ 23,707	$ (189)	(f)	$ 217,550
Cost of revenue	86,531	8,172	—		94,703
Gross profit	107,501	15,535	(189)		122,847
Research and development	15,821	649	—		16,470
Selling, general and administrative	65,692	4,299	6,084	(d), (k)	76,075
Total operating expenses	81,513	4,948	6,084		92,545
Operating income (loss)	25,988	10,587	(6,273)		30,302
Other (expense) income, net	(4,552)	75	—		(4,477)
Income (loss) before income taxes	21,436	10,662	(6,287)		25,811
Income tax expense	4,819	—	543	(m), (n), (o)	5,362
Net income (loss)	$ 16,617	$ 10,662	$ (6,816)		$ 20,463
Net income per share:					
Basic	$ 0.38				$ 0.43
Diluted	$ 0.37				$ 0.41
Weighted average common shares outstanding:					
Basic	43,767,402		3,923,752	(a), (l)	47,691,154
Diluted	45,471,169		3,923,752	(a), (l)	49,394,921

(1) See Note 4 to the accompanying notes to unaudited pro forma condensed combined financial statements.

Repligen Corporation
Pro Forma Condensed Combined Consolidated Statements of Operations
For the Three Months Ended March 31, 2019
(Unaudited, amounts in thousands, except share and per share data)

	Historical Repligen Three Months Ended March 31, 2019	Historical C Technologies, Inc. Three Months Ended March 31, 2019	C Technologies, Inc. Pro Forma Adjustments	Notes (1)	Pro Forma Combined
Revenue	$ 60,634	$ 5,418	$ (47)	(f)	$ 66,005
Cost of revenue	26,845	1,803	—		28,648
Gross profit	33,789	3,615	(47)		37,357
Research and development	3,620	160	—		3,780
Selling, general and administrative	18,998	1,151	1,076	(d), (h), (k)	21,225
Total operating expenses	22,618	1,311	1,076		25,005
Operating income (loss)	11,171	2,304	(1,123)		12,352
Other (expense) income, net	(655)	5	—		(650)
Income (loss) before income taxes	10,516	2,309	(1,123)		11,702
Income tax expense	2,463	—	220	(m), (n), (o)	2,683
Net income (loss)	$ 8,053	$ 2,309	$ (1,343)		$ 9,019
Net income per share:					
Basic	$ 0.18				$ 0.19
Diluted	$ 0.17				$ 0.18
Weighted average common shares outstanding:					
Basic	43,967,824		3,923,752	(a), (l)	47,891,576
Diluted	46,279,017		3,923,752	(a), (l)	50,202,769

(1) See Note 4 to the accompanying notes to unaudited pro forma condensed combined financial statements.

Repligen Corporation
Notes to Unaudited Pro Forma Condensed Combined Consolidated Financial Statements
For the Year Ended December 31, 2018

1. Description of the Transaction

On April 25, 2019, Repligen Corporation ("Repligen") agreed to acquire C Technologies, Inc. ("C Technologies"), pursuant to the terms of a Stock Purchase Agreement (the "Agreement"), by and among Repligen and C Technologies (such acquisition, the "Acquisition").

The Acquisition will be accounted for as a purchase of a business under ASC 805, Business Combinations. The cash paid for the Acquisition is estimated to be $195.0 million, $186.0 million of which will be consideration transferred pursuant to ASC 805, and $9.0 million of which will be compensation expense for future employment, and 779,221 of unregistered common shares totaling $53.9 million (based on a per share price of $69.22), for a total purchase price of $239.9 million. The estimate of $195.0 million in cash paid for the Acquisition consists of $192.0 million per the terms of the Agreement, $3.8 million for the existing cash balance of C Technologies at May 31, 2019, $1.6 million of estimated state tax liabilities assumed that are directly related to the 338(h)(10) election expected to be made as part of the Acquisition, and an estimated working capital adjustment of $0.1 million, offset by reductions for estimated indebtedness of $2.5 million and C Technologies' transaction expenses of $0.1 million.

2. Basis of Presentation

The accompanying unaudited pro forma condensed combined financial statements combine the historical consolidated financial statements of Repligen and those of C Technologies after giving effect to the Acquisition, using the acquisition method of accounting in accordance with Accounting Standards Codification (ASC) 805, "Business Combinations", and applying the assumptions and adjustments described in the accompanying notes.

The unaudited pro forma condensed combined consolidated statements of operations for the year ended December 31, 2018 are based on our audited historical consolidated financial statements and the audited historical consolidated financial statements of C Technologies, which are incorporated by reference in this Form 8-K, and the unaudited pro forma condensed combined statement of operations for the three months ended March 31, 2019 give effect to the Acquisition as if such acquisition had occurred on January 1, 2018. The unaudited pro forma condensed combined balance sheet gives effect to the Acquisition as if such acquisition had occurred on March 31, 2019.

The historical consolidated financial statements have been adjusted in the pro forma condensed combined financial statements to give effect to pro forma events that are (1) directly attributable to the business combination, (2) factually supportable and (3) with respect to the pro forma condensed combined statements of operations, expected to have a continuing impact on the combined results following the business combination. The unaudited pro forma condensed combined financial information herein should be read in conjunction with the historical financial statements and the related notes thereto of Repligen which are presented in the Annual Report on Form 10-K for the year ended December 31, 2018, filed on March 1, 2019 (File No. 000-14656), Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2019, filed on May 9, 2019 (File No. 000-14656), and the historical financial statements of C Technologies. The unaudited pro forma condensed combined financial statements are presented for illustrative purposes only and are not necessarily indicative of the operating results that would have been achieved if the Acquisition had been consummated as of the beginning of the period presented, nor are they necessarily indicative of the future operating results of the combined company. No effect has been given in these pro forma financial statements for synergistic benefits that may be realized through the combination or costs that may be incurred in integrating operations.

3. Estimated consideration and preliminary purchase price allocation

Repligen accounted for the Acquisition as the purchase of a business under U.S. GAAP. Under the acquisition method of accounting, the assets of C Technologies will be recorded as of the acquisition date, at their respective fair values, and consolidated with those of Repligen. The fair value of the net tangible assets acquired is estimated to be approximately $5.6 million, the fair value of the intangible assets acquired is estimated to be approximately $90.8 million, and the residual goodwill is estimated to be approximately $143.5 million. The estimated consideration and preliminary purchase price information has been prepared using a preliminary valuation. The final purchase price allocation will be completed upon closing of the transaction. The preparation of the valuation required the use of significant assumptions and estimates. Critical estimates included, but were not limited to, future expected cash flows, including projected revenues and expenses, and the applicable discount rates. These estimates were based on assumptions that Repligen believes to be reasonable. However, actual results may differ from these estimates.

The total consideration transferred follows (amounts in thousands):

Cash consideration	$ 185,971
Equity consideration	$ 53,938
Total consideration transferred	**$239,909**

Acquisition related costs are not included as a component of consideration transferred, but are expensed in the periods in which the costs are incurred. In connection with the transaction, an additional $9.0 million in cash will be due to employees based on their continued employment with the Company one year after the date of the close of the Acquisition.

Fair Value of Net Assets Acquired

Repligen has performed a preliminary valuation analysis of the fair market value of C Technologies' assets to be acquired and liabilities to be assumed. Using the total consideration for the Acquisition, Repligen has estimated the allocations to such assets and liabilities. The following table summarizes the allocation of the preliminary purchase price as of May 31, 2019 (amounts in thousands):

Cash and cash equivalents	$ 3,799
Restricted cash	26,928
Accounts receivable	3,048
Inventory	3,807
Prepaid expenses and other current assets	93
Fixed assets	40
Operating lease right of use asset	3,836
Customer relationships	59,680
Developed technology	28,920
Trademark and tradename	1,570
Non-competition agreements	660
Goodwill	143,477
Accounts payable	(436)
Accrued liabilities	(2,417)
Accrued bonus	(26,928)
Deferred revenue	(1,709)
Operating lease liability	(51)
Deferred tax liability	(623)
Operating lease liability, long-term	(3,785)
Fair value of net assets acquired	**$239,909**

This preliminary purchase price allocation has been used to prepare pro forma adjustments in the pro forma balance sheet and income statement and is subject to adjustment as purchase accounting is finalized. The final purchase price allocation will be determined when Repligen has completed the detailed valuations and necessary calculations. The final allocation could differ materially from the preliminary allocation used in the pro forma adjustments. The final allocation may include, but not be limited to: (1) changes in fair values of property, plant and equipment, (2) changes in allocations to intangible assets such as trade names, technology and customer relationships as well as goodwill and (3) other changes to assets and liabilities.

4. Pro Forma Adjustments

This note should be read in conjunction with Notes 1 and 2. Adjustments included in the pro forma adjustments column of the pro forma condensed combined consolidated statement of operations and the pro forma condensed combined consolidated balance sheet include the following, as indicated in the "Notes" column thereto:

(a) This adjustment represents the public offering of common stock that was completed on May 3, 2019 in which the Company issued 3,144,531 shares at a price of $64.00 per share for cash proceeds, net of underwriting discounts, commissions, and offering costs, of $189.6 million. Offering costs of approximately $0.6 million were incurred in connection with the common stock offering, which are reflected as a reduction of cash proceeds. The issuance of 3,144,531 shares of common stock at a par value of $0.01 resulted in an increase to common stock and additional paid in capital of $31 thousand and $189.6 million, respectively.

(b) An adjustment to cash of $195.0 million for the estimated cash portion of the transaction price, $186.0 million of which will be consideration transferred, and $9.0 million of which will be compensation expense for future employment.

(c) This adjustment represents the estimated step-up of C Technologies' inventory by $1.5 million from the carrying value. The fair value calculation is preliminary and subject to change. After the closing of the Acquisition, the step-up in inventory fair value of $1.5 million will increase cost of sales as the inventory is sold. This increase is not reflected in the pro forma condensed combined statements of operations because it does not have a continuing impact.

(d) Reflects the adjustment of intangible assets to be acquired by Repligen to their estimated fair values of $90.8 million, with a continuing quarterly amortization impact of $1.3 million and an annual amortization impact of $5.4 million. As part of the valuation analysis, Repligen identified intangible assets, including developed technology, customer relationships, trade names, and a non-compete. The fair value of identifiable intangible assets is determined primarily using the "income approach," which requires a forecast of all the expected future cash flows.

(e) Reflects adjustment to record goodwill associated with the Acquisition.

(f) Represents the estimated adjustment to decrease the assumed deferred revenue obligations to a fair value of approximately $1.7 million, a total decrease of $0.2 million from the carrying value of which $0.2 million is a decrease to accrued liabilities and $0.1 million is related to other long-term liabilities. The fair value was determined based on the estimated costs to fulfill the remaining extended maintenance obligations plus a normal profit margin. After the acquisition, this adjustment will have a continuing impact and will reduce revenue related to the assumed performance obligations as the maintenance services are provided over the next one to three years. The pro forma adjustments to reduce revenue by $0.1 million for the three months ended March 31, 2019, and $0.2 million for the year ended December 31, 2018, reflect the difference between prepayments related to extended maintenance arrangements and the fair value of the assumed performance obligations as they are satisfied.

(g) To adjust for bonuses totaling $0.7 million with key management personnel tied to integration activities related to the Acquisition. The adjustment is reflected as an increase to accrued liabilities and accumulated deficit. The pro forma statement of operations does not reflect the adjustment as it will not have a continuing impact on operations.

(h) To adjust for estimated transaction costs of $3.9 million in connection with the Acquisition. Transaction costs incurred through March 31, 2019 totaling approximately $0.4 million have been reflected as an adjustment to the statement of income for the three months ended March 31, 2019. $3.5 million of estimated transaction costs yet to be incurred in the historical financial statements as of March 31, 2019 are reflected in the consolidated balance sheet as an adjustment to accrued liabilities and accumulated deficit; these items have not been reflected in the income statement as they do not have a continuing impact.

(i) To adjust for $1.4 million of estimated state tax liabilities assumed that are directly related to the 338(h)(10) election as part of the Acquisition. The estimated amount of the state tax liability has been recorded as an adjustment to accrued liabilities and has not been reflected in the pro forma condensed combined consolidated income statement as these liabilities will not have a continuing impact.

(j) To adjust for $35.9 million of estimated bonuses payable to C Technologies' employees that are directly related to the Acquisition. The amount of the bonus will be paid in two installments, the initial $26.9 million of which is an assumed liability will be paid at the time of closing, and the final $9.0 million due to employees based on their continued employment with the Company one year after the date of the close of the Acquisition.

(k) This pro forma adjustment represents a stock-based compensation expense increase of $0.2 million for the three months ended March 31, 2019, and $0.7 million for the year ended December 31, 2018, related to time and performance based restricted stock units issued to two key executives as part of the Acquisition. The fair value of the awards assumes a stock price of $69.47, and will be recognized over post-combination service periods ranging from two to three years assuming the service and performance conditions are achieved.

(l) Represents the elimination of the historical equity of C Technologies of $4.9 million, and the increase to common stock and additional paid in capital resulting from the issuance of 779,221 shares of common stock at a price of $69.22 for the equity portion of the transaction price. The par value of common stock is $0.01 and results in a $8 thousand increase to common stock. The value in excess of par, or $53.9 million is recognized in additional paid-in capital.

(m) Represents the tax effect of pro forma adjustments made as a result of the Acquisition, based on an estimated tax rate of 25%. The resulting tax benefit of $0.9 million is a decrease to accrued liabilities and accumulated deficit. For the three months ended March 31, 2019, and for the year ended December 31, 2018, this adjustment represents a tax benefit of $0.3 million and $1.5 million, respectively.

(n) Represents the tax effect of C Technologies' income being taxed at a corporate rate versus an S-Corporation, based on an estimated tax rate of 25%. The resulting tax expense increase of $0.6 million is an increase to accrued liabilities and accumulated deficit. For the year ended December 31, 2018, this adjustment represents an increase to tax expense of $2.6 million.

(o) This adjustment reflects the increase in Repligen's U.S. Federal Section 250 Deduction for 2018. The Section 250 Deduction is a deduction for Foreign-Derived Intangible Income and Global Intangible Low-Taxed Income that can be limited based on U.S. federal taxable income computed without regards to those deductions. The acquisition of C Technologies would result in an increase to U.S. taxable income in 2018, which reduces the limitation on Repligen Section 250 deduction and increases the amount allowed to be deducted for 2018. The resulting tax benefit of $0.1 million is a decrease to accrued liabilities and accumulated deficit for the three months ended March 31, 2019. For the year ended December 31, 2018, this adjustment represents a tax benefit of $0.5 million.

(p) Represents the tax effect related to the difference between book and tax useful lives of intangible assets acquired as a result of the Acquisition. The resulting $0.6 million in deferred tax liabilities balances is based on management's determination of the fair value of assets acquired and liabilities assumed by jurisdiction.

(q) The Company records a right-of-use asset and lease liability on its consolidated balance sheet for all leases with a term greater than 12 months pursuant to ASC 842, which was effective January 1, 2019. Because C Technologies has not yet adopted ASC 842, this pro forma adjustment reflects an adjustment to right-of-use asset of $3.8 million, current operating lease liability of $0.1 million, and non-current operating lease liability of $3.8 million to conform C Technologies, Inc.'s accounting policy to that of the Company.

(Back To Top)