

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 April 30, 1995

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 1-9974

ENZO BIOCHEM, INC.

-----  
(Exact name of registrant as specified in its charter)

New York

13-2866202

-----  
(State or other jurisdiction  
of incorporation or organization)

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

60 Executive Blvd., Farmingdale, New York

11735

-----  
(Address of principal executive office)

-----  
(Zip Code)

(516) 755-5500

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

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

Common Stock, \$0.01 par value

The American Stock Exchange

-----  
(Title of Class)

-----  
(Name of each Exchange on which Registered)

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

NONE

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 has required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

---

As of June 1, 1995 the Registrant had 19,953,800 shares of Common Stock outstanding.

ENZO BIOCHEM, INC.

FORM 10-Q

April 30, 1995

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ENZO BIOCHEM, INC.  
PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED BALANCE SHEET

<TABLE>  
<CAPTION>

|  | April 30,<br>1995<br>(unaudited) | July 31,<br>1994 |
|--|----------------------------------|------------------|
|  | -----                            |                  |
|  | (in thousands)                   |                  |
| A S S E T S  |                                  |                  |
| <S>  | <C>                              | <C>              |
| Current assets:  |                                  |                  |
| Cash and cash equivalents  | \$11,744                         | \$ 4,151         |
| Accounts receivable, less<br>allowance for doubtful accounts                                   | 12,177                           | 9,272            |
| Current portion of note receivable --<br>litigation settlement                                 | 5,000                            | --               |
| Research contract receivable   | --                               | 6,500            |
| Inventories  | 2,263                            | 2,103            |
| Deferred income taxes  | --                               | 3,000            |
| Prepaid expenses and other   | 695                              | 724              |
|  | -----                            | -----            |
| Total current assets   | 31,879                           | 25,750           |
|  | -----                            | -----            |
| Long term portion of note receivable --<br>litigation settlement                               | 12,800                           | --               |
| Property and equipment, at cost,<br>less accumulated depreciation and amortization             | 23,954                           | 23,616           |
| Cost in excess of fair value of net tangible assets<br>acquired, less accumulated amortization | 10,114                           | 10,391           |
| Deferred patent costs, less accumulated<br>amortization  | 4,943                            | 5,062            |
| Other  | 166                              | 224              |
|  | -----                            | -----            |

</TABLE>

See accompanying notes

ENZO BIOCHEM, INC.  
 LIABILITIES AND STOCKHOLDERS' EQUITY

<TABLE>  
 <CAPTION>

|   | April 30,                  | July   |
|---|----------------------------|--------|
|   | 1995                       | 1994   |
|   | (unaudited)                |        |
|   | -----                      |        |
| 31,   |                            |        |
| ---   |                            |        |
|   | (in thousands)             |        |
|   | <C>                        | <C>    |
| <S>   |                            |        |
| Current liabilities:                                |                            |        |
| Trade accounts payable                              | \$ 2,859                   | \$     |
| 4,447   |                            |        |
| Loan payable - bank                                 | --                         |        |
| 2,000   |                            |        |
| Accrued interest                                    | --                         |        |
| 30  |                            |        |
| Accrued legal fees                                  | 2,089                      |        |
| 318   |                            |        |
| Other accrued expenses                              | 1,693                      |        |
| 1,648   |                            |        |
| Current portion of long-term debt                   | 29                         |        |
| 95  |                            |        |
| Current portion of obligations under capital leases | 64                         |        |
| 58  |                            |        |
| ---   | -----                      | -----  |
|   |                            |        |
|   | Total current liabilities  | 6,734  |
| 8,596   |                            |        |
| ---   | -----                      | -----  |
|   |                            |        |
| Long-term debt                                      | 114                        |        |
| 135   |                            |        |
| Obligations under capital lease                     | 4,336                      |        |
| 4,243   |                            |        |
| Other deferred liabilities                          | 797                        |        |
| 824   |                            |        |
| Stockholders equity:                                |                            |        |
| Preferred Stock, \$.01 par value;                   |                            |        |
| authorized 25,000,000 shares                        |                            |        |
| no shares issued or outstanding                     |                            |        |
| Common Stock, \$.01 par value;                      |                            |        |
| authorized 75,000,000 shares; shares                |                            |        |
| issued and outstanding; 19,953,800                  |                            |        |
| shares at April 30, 1995 and                        |                            |        |
| 19,822,200 shares at July 31, 1994                  | 200                        |        |
| 198   |                            |        |
| Additional paid-in capital                          | 72,860                     |        |
| 71,753  |                            |        |
| Accumulated deficit                                 | (1,185)                    |        |
| (20,706)  |                            |        |
| ---   | -----                      | -----  |
|   |                            |        |
|   | Total stockholders' equity | 71,875 |
| 51,245  |                            |        |
| ---   | -----                      | -----  |
|   |                            |        |
|   | \$ 83,856                  | \$     |
| 65,043  |                            |        |
| =====   | =====                      |        |

</TABLE>

See accompanying notes

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ENZO BIOCHEM, INC.  
CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)

<TABLE>  
<CAPTION>

| April 30,   | Nine Months Ended         |     |
|---|---------------------------|-----|
| -----   | -----                     |     |
| 1994  | 1995                      |     |
| -----   | -----                     |     |
| share data)   | (In thousands, except per |     |
| <S>   | <C>                       | <C> |
| Revenues:   |                           |     |
| Operating revenues  | \$ 23,286                 | \$  |
| 14,527  |                           |     |
| Costs and expenses:   |                           |     |
| Cost of sales and diagnostic services   | 10,563                    |     |
| 5,896   |                           |     |
| Research and development expenses   | 1,559                     |     |
| 1,086   |                           |     |
| Selling expenses  | 2,072                     |     |
| 1,270   |                           |     |
| Provision for uncollectable accounts<br>receivable                                  | 2,178                     |     |
| 1,283   |                           |     |
| General and administrative expenses   | 5,987                     |     |
| 5,123   |                           |     |
| Litigation settlement, net of legal fees  | (21,000)                  |     |
| --  |                           |     |
| -----   |                           |     |
| 14,658  | 1,359                     |     |
| -----   |                           |     |
| Income (loss) before interest, provision for<br>income taxes and extraordinary gain | 21,927                    |     |
| (131)   |                           |     |
| Interest income - net   | 639                       |     |
| 52  |                           |     |
| -----   |                           |     |
| Income (loss) before provision for income taxes<br>and extraordinary gain           | 22,566                    |     |
| (79)  |                           |     |
| Provision for income taxes  | (3,045)                   |     |
| (40)  |                           |     |
| -----   |                           |     |
| Income (loss) before extraordinary gain   | 19,521                    |     |
| (119)   |                           |     |
| Extraordinary gain  | --                        |     |
| 150   |                           |     |
| -----   |                           |     |
| Net income  | \$ 19,521                 | \$  |
| 31  |                           |     |
| =====   |                           |     |
| Income per share before extraordinary gain  | \$ 0.93                   | \$  |
| (0.01)  |                           |     |

|  |        |         |      |
|--|--------|---------|------|
| Income per share on extraordinary gain | 0.01   | --      |      |
|  |        | -----   | ---- |
| Net income per share                   | 0.00   | \$ 0.93 | \$   |
|  |        | =====   |      |
| Weighted average common shares         | 19,367 | 20,904  |      |
|  |        | =====   |      |

</TABLE>

See accompanying notes

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ENZO BIOCHEM, INC.  
CONSOLIDATED STATEMENT OF OPERATIONS (Unaudited)

<TABLE>  
<CAPTION>

|  | Three Months Ended April 30,          |           |
|--|---------------------------------------|-----------|
|  | 1995                                  | 1994      |
|  | (In thousands, except per share data) |           |
|  | <C>                                   | <C>       |
| Revenues:  |                                       |           |
| Operating revenues                                       | \$ 8,217                              | \$ 4,877  |
| Costs and expenses:                                      |                                       |           |
| Cost of sales and diagnostic services                    | 3,666                                 | 1,951     |
| Research and development expenses                        | 537                                   | 257       |
| Selling expenses   | 741                                   | 492       |
| Provision for uncollectable accounts<br>receivable       | 1,081                                 | 430       |
| General and administrative expenses                      | 2,266                                 | 1,896     |
|  | 8,291                                 | 5,026     |
| (Loss) before interest and provision for<br>income taxes | (74)                                  | (149)     |
| Interest income - net                                    | 330                                   | 27        |
| Income (loss) before provision for income taxes          | 256                                   | (122)     |
| Provision for income taxes                               | (15)                                  | (15)      |
| Net income (loss)  | 241                                   | (137)     |
| Net income (loss) per share                              | \$ 0.01                               | (\$ 0.01) |
| Weighted average common shares                           | 20,904                                | 19,367    |

</TABLE>

See accompanying notes

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ENZO BIOCHEM, INC.  
CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

<TABLE>  
<CAPTION>

|                                       |   | Nine Months Ended April |       |
|---------------------------------------|---|-------------------------|-------|
|                                       |   | -----                   |       |
|                                       |   | 1995                    | 1994  |
|                                       |   | (In thousands)          |       |
|                                       |   | -----                   |       |
| --                                    | <S>   | <C>                     | <C>   |
| Cash flows from operating activities: |   |                         |       |
|                                       | Net income  | \$ 19,521               | \$    |
| 31                                    | Adjustments to reconcile net income to net cash provided by operating activities: |                         |       |
|                                       | Depreciation and amortization of property and equipment                           | 643                     |       |
| 544                                   | Amortization of cost in excess of fair value of tangible assets acquired          | 277                     | 276   |
|                                       | Amortization of deferred patent costs   | 360                     | 270   |
|                                       | Provision for uncollectable accounts receivable                                   | 2,178                   | 1,283 |
|                                       | Extraordinary gain on extinguishment of bank debt                                 | --                      |       |
| (150)                                 | Legal expenses converted into stock   | --                      |       |
| 230                                   | Miscellaneous operating expenses converted into stock                             | --                      |       |
| 16                                    | Deferred income tax provision   | 3,000                   | -     |
| -                                     |   | -----                   | ----- |
| --                                    | Total non-cash adjustments to income  | 6,458                   | 2,469 |
|                                       | Change in assets and liabilities  |                         |       |
|                                       | Note receivable - litigation settlement   | (17,800)                |       |
|                                       | Research contract receivable  | 6,500                   |       |
|                                       | Accounts receivable before provision for uncollectable amounts                    | (5,085)                 |       |
| (3,620)                               | Inventories   | (160)                   |       |
| (350)                                 | Prepaid expense and other assets  | 62                      |       |
| (474)                                 | Trade accounts payable and other accrued expenses                                 | (1,542)                 |       |
| (616)                                 | Accrued legal fees  | 1,771                   |       |
| (203)                                 | Deferred liabilities  | (26)                    |       |
| 71                                    | Accrued interest payable  | (30)                    |       |
| (56)                                  |   | -----                   | ----- |
| --                                    |   | (9,852)                 |       |
| (2,779)                               |   | -----                   | ----- |
| --                                    |   |                         |       |
|                                       | Net cash (used) provided by operating activities                                  | \$ 9,669                | (\$   |
| 2,748)                                |   | -----                   | ----- |
| --                                    |   |                         |       |

</TABLE>

ENZO BIOCHEM, INC.  
CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

<TABLE>  
<CAPTION>

Months Ended April 30,

Nine

-----

-----

1994

(In thousands)

|  | -----     |
|--|-----------|
| <S>  | <C>       |
| <C>  |           |
| Cash flows from investing activities:                    |           |
| Capital expenditures                                     | (\$       |
| 851) (\$ 900)  |           |
| Patent costs deferred                                    |           |
| (240) (195)  |           |
| (Increase) decrease in other assets                      | 58        |
| (1)  |           |
| - -----  |           |
| Net cash used in investing activities                    | (1,033)   |
| (1,096)  |           |
| - -----  |           |
| Cash flows from financing activities:                    |           |
| Proceeds from short and long term borrowing              | --        |
| 2,000  |           |
| Payment of bank debt                                     |           |
| (2,026) (1,410)  |           |
| Payments of obligations under capital lease              | (63)      |
| (181)  |           |
| Proceeds from stock options and warrants                 | 1,108     |
| 391  |           |
| Payment of Debenture Bonds                               | --        |
| (62) --  |           |
| Payment for registration filing fees                     | --        |
| (110)  |           |
| Proceeds from issuance of stock                          | --        |
| 7,520  |           |
| - -----  |           |
| Net cash (used) provided by financing activities         | (1,043)   |
| 8,210  |           |
| - -----  |           |
| Net increase in cash and cash equivalents                | 7,593     |
| 4,366  |           |
| Cash and cash equivalents at the beginning of the period | 4,151     |
| 654  |           |
| - -----  |           |
| Cash and cash equivalents at the end of the period       | \$ 11,744 |
| \$ 5,020   |           |
| =====  | =====     |

&lt;/TABLE&gt;

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ENZO BIOCHEM, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
April 30, 1995  
(Unaudited)

1. The consolidated balance sheet as of April 30, 1995, the consolidated statement of operations for nine months ended April 30, 1995 ("1995 Period") and 1994 ("1994 Period") and the consolidated statement of cash flows for the nine months ended April 30, 1995 and 1994 have been prepared by the Company without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at April 30, 1995 and for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these financial

statements be read in conjunction with the consolidated financial statements and notes thereto included in the Company's 1994 Annual Report on Form 10-K. The results of operations for the nine months ended April 30, 1995 are not necessarily indicative of the results that may be expected for the full year.

2. On October 19, 1994 the Company executed a settlement agreement with Johnson & Johnson, Inc. in the aggregate amount of \$35.0 million pursuant to which the Company received \$15.0 million, of which \$6.5 million relates to amounts due under certain research and development agreements and which was included in research contracts receivable at July 31, 1994, and a promissory note requiring Johnson & Johnson and its subsidiary, Ortho Diagnostics, Inc., to pay \$5.0 million a year for each of the four successive anniversaries of said date. Pursuant to the terms of the settlement, all of the Company's grants, licenses and intellectual property have been returned to the Company in totality.

3. On January 13, 1995, the Company paid in full the \$61,900 outstanding balance of the 9% Convertible Subordinated Debentures originally issued in 1986.

4. In March 1993, the Company filed suit in the United States District Court for the District of Delaware charging patent infringement and acts of unfair competition against Calgene, Inc. and seeking a declaratory judgment of invalidity concerning Calgene, Inc.'s antisense patent. On February 9, 1994 the Company filed a second suit in the United States District court for the District of Delaware charging Calgene with infringement of a second antisense patent owned by the Company. Calgene has filed a counterclaim in the second Delaware action seeking a declaration that a third patent belonging to the Company is invalid. The two Delaware actions have been consolidated and were tried to the Court in April 1995. The parties are awaiting the Court's decision. In addition, the Company filed suit on March 22, 1994 in the United States District Court for the Western District of Washington against Calgene and the Fred Hutchinson Cancer Research Center, alleging that the defendants had conspired to issue a false and misleading press release regarding a supposed "patent license" from Hutchinson to Calgene, and conspired to subvert the Company's antisense patents by improperly using

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confidential information to challenge them in the Patent Office. The Complaint further charges that Hutchinson is infringing and inducing Calgene to infringe the Company's antisense patents. There can be no assurance that the Company will be successful in any of the foregoing matters or that Calgene, Inc. and/or Hutchinson will not be successful. However, even if the Company is not successful, management does not believe there will be a significant monetary impact.

5. Effective December 1, 1985, the Company entered into an agreement with the City of New York to lease, over a fifty-year term, a six-story building located in New York City. During 1992 this lease was renegotiated. The Company has recorded the fair market value of the real property in the amount of \$3,000,000 as a capital lease obligation due in installments through 2036. Financing for the renovation and equipping of such facility came principally from the Company's own funds. The Company is carrying the capital leasehold interest at its estimated fair market value.

6. In April, 1994, the Company signed a non-exclusive worldwide distribution and supply agreement with Boehringer Mannheim Biochemicals. In February 1995 and in March 1995, the Company signed similar agreements with Amersham International and Dako A/S, respectively. Under the terms of these agreements, these companies will distribute to the global medical research market, a broad range of biochemical products and reagents manufactured and supplied by Enzo. The agreements include products based on nonradioactive DNA probe technology and includes products that were developed and marketed by the companies prior to the agreement, as well as products developed by the Enzo, all of which are covered by Enzo patents.

7. The Company has net operating loss carryforwards at July 31, 1994 of approximately \$19,244,000 for income tax return purposes.

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Item 2- Management's Discussion and Analysis of Financial Condition and Results of Operations

#### LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities increased by approximately \$12,417,000 for the nine months ended April 30, 1995 as a result of an increase in net income of approximately \$19,490,000 primarily related to the J&J settlement offset by changes in operating assets and liabilities.



The Company's internal source of cash generated by operations in addition to the proceeds from the litigation settlement was sufficient to meet the Company's needs for investing and other financing activities. At April 30, 1995 the Company had working capital of approximately \$25,145,000.

On October 19, 1994 the Company executed a settlement agreement with Johnson & Johnson, Inc. pursuant to which the Company received \$15.0 million and a promissory note requiring Johnson & Johnson and its subsidiary, Ortho Diagnostics, Inc., to pay \$5.0 million a year for each of the four successive anniversaries of said date. Pursuant to the terms of the settlement, all of the Company's grants, licenses and intellectual property have been returned to the Company in totality.

In March, 1994 EnzoLabs entered into a \$2.0 million line of credit with a bank. Interest was being charged at a rate of 1% above the bank's prime rate. In October, 1994 the Company paid in full the line of credit.

Effective December 1, 1985, the Company entered into an agreement with the City of New York to lease, over a fifty-year term, a six-story building located in New York City. During 1992 this lease was renegotiated. The Company has recorded the fair market value of the real property in the amount of \$3,000,000 as a capital lease obligation due in installments through 2036. Financing for the renovation and equipping of such facility came principally from the \$10,000,000 industrial revenue bond financing completed on December 31, 1985 and the Company's own funds. The Company has decided to carry the capital leasehold interest at its estimated fair market value.

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#### RESULTS OF OPERATIONS

NINE MONTHS ENDED APRIL 30, 1995 COMPARED WITH NINE MONTHS ENDED APRIL 30, 1994

Operating revenues for the nine months ended April 30, 1995 ("1995 period") increased by \$8,759,000 over operating revenues for the nine months ended April 30, 1994 ("1994 period"). This increase was due to a \$3,538,000 increase in revenues from the clinical reference laboratory and an increase of \$5,221,000 of research product revenues as compared to the 1994 period. Revenues at the clinical reference laboratory increased due to the increase in volume of screening tests. Revenues from research products increased primarily from the Company's non-exclusive contract with Boehringer Mannheim for distribution of the Company's products.

Cost of sales increased by approximately \$4,667,000 primarily due to increased revenues from research products related to the Boehringer Mannheim non-exclusive agreement.

Selling expenses increased by \$802,000 due to an increase in marketing programs and sales personnel for the clinical reference laboratory.

Interest income increased by \$587,000 as a result of the investment of the proceeds from the litigation settlement with Johnson & Johnson.

The increase in general and administrative expenses of \$864,000 was primarily due to the increased legal fees for the Calgene lawsuit.

The provision for bad debts increased by \$895,000 due to an increase in revenues from the clinical reference laboratory.

The provision for taxes increased approximately \$3,005,000 primarily due to the recognition of income resulting from the litigation settlement.

THREE MONTHS ENDED APRIL 30, 1995 COMPARED WITH THREE MONTHS ENDED APRIL 30, 1994

Operating revenues for the three months ended April 30, 1995 ("1995 period") increased by \$3,340,000 over revenues from operations for the three months ended April 30, 1994 ("1994 period"). This increase was due to increases of \$1,440,000 in revenues from the clinical reference laboratory and an increase in research product sales of \$1,900,000 for the similar activity in the 1994 period.

Cost of sales increased by \$1,715,000 primarily as a result of increased revenues by research product sales related to the Boehringer Mannheim distribution agreement.

Selling expenses increased by \$249,000 as a result of increased personnel costs related to the clinical reference laboratory.

General and administrative expenses increased by approximately \$370,000 as a result of an increase of legal fees related to the Calgene lawsuit.

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ENZO BIOCHEM, INC.  
PART II - OTHER INFORMATION

Item 6 - Exhibits and Reports on Form 8-K

- (a) Exhibits - none
- (b) Reports on form 8-K - none

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SIGNATURES

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

ENZO BIOCHEM, INC.  
-----  
(registrant)

Date: June 12, 1995

by:/s/ Barry W. Weiner  
-----  
Barry W. Weiner, Executive  
Vice President-Secretary

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<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND>

This schedule contains summary financial information extracted from Form 10-Q for the quarterly period ended April 30, 1995 and is qualified in its entirety by reference to such financial statements.

</LEGEND>

<MULTIPLIER> 1,000

| <S>                          | <C>           |
|------------------------------|---------------|
| <PERIOD-TYPE>                | 9-MOS         |
| <FISCAL-YEAR-END>            | JUL-31-1995   |
| <PERIOD-END>                 | APR-30-1995   |
| <CASH>                       | 11,744        |
| <SECURITIES>                 | 0             |
| <RECEIVABLES>                | 17,177        |
| <ALLOWANCES>                 | 0             |
| <INVENTORY>                  | 2,263         |
| <CURRENT-ASSETS>             | 31,879        |
| <PP&E>                       | 23,954        |
| <DEPRECIATION>               | 0             |
| <TOTAL-ASSETS>               | 83,856        |
| <CURRENT-LIABILITIES>        | 6,734         |
| <BONDS>                      | 0             |
| <COMMON>                     | 200           |
| <PREFERRED-MANDATORY>        | 0             |
| <PREFERRED>                  | 0             |
| <OTHER-SE>                   | 71,875        |
| <TOTAL-LIABILITY-AND-EQUITY> | 83,856        |
| <SALES>                      | 0             |
| <TOTAL-REVENUES>             | 23,286        |
| <CGS>                        | 10,563        |
| <TOTAL-COSTS>                | 8,596         |
| <OTHER-EXPENSES>             | (21,000) <F1> |
| <LOSS-PROVISION>             | 2,178         |
| <INTEREST-EXPENSE>           | (639) <F2>    |
| <INCOME-PRETAX>              | 22,566        |
| <INCOME-TAX>                 | (3,045)       |
| <INCOME-CONTINUING>          | 19,521        |
| <DISCONTINUED>               | 0             |
| <EXTRAORDINARY>              | 0             |
| <CHANGES>                    | 0             |
| <NET-INCOME>                 | 19,521        |
| <EPS-PRIMARY>                | 0.93          |
| <EPS-DILUTED>                | 0.93          |

<FN>

<F1> Litigation settlement gain - not of legal fee

<F2> Interest income - net of expense

</FN>

</TABLE>