

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, 1996

/ /

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, 1996 the Registrant had 21,511,500 shares of Common Stock outstanding.

ENZO BIOCHEM, INC.

FORM 10-Q

April 30, 1996

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ENZO BIOCHEM, INC.  
PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED BALANCE SHEET

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	April 30, 1996 (unaudited)	July 31, 1995
-----		
(in thousands)		
A S S E T S		
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Current assets:		
Cash and cash equivalents	\$16,024	\$11,068
Accounts receivable, less allowance for doubtful accounts	13,682	10,914
Current portion of note receivable - litigation settlement	5,000	5,000
Inventories	2,234	2,198
Other	771	1,077
	-----	-----
Total current assets	37,711	30,257
	-----	-----
Property and equipment, at cost, less accumulated depreciation and amortization	13,500	13,892
Long term portion of note receivable -- litigation settlement	8,721	13,121
Cost in excess of fair value of net tangible assets acquired, less accumulated amortization	9,768	10,046
Deferred patent costs, less accumulated amortization	4,904	4,971
Other	195	171
	-----	-----
	\$74,799	\$72,458
	-----	-----
	-----	-----

</TABLE>

See accompanying notes

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ENZO BIOCHEM, INC.  
LIABILITIES AND STOCKHOLDERS' EQUITY

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	April 30, 1996 (unaudited)	July 31, 1995
	(in thousands)	
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Current liabilities:		
Trade accounts payable	\$ 1,175	\$ 1,580
Accrued legal fees	856	922
Income taxes payable	706	1,074
Other accrued expenses	2,065	2,147
Current portion of long-term debt	34	32
Current portion of obligations under capital leases	32	53
	-----	-----
Total current liabilities	4,868	5,808
	-----	-----
Long-term debt	56	81
Obligations under capital lease	4,595	4,617
Other deferred liabilities	960	840
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; 21,511,500 shares at April 30, 1996 and 21,334,600 shares at July 31, 1995	215	213
Additional paid-in capital	82,911	81,605
Accumulated deficit	(18,806)	(20,706)
	-----	-----
Total stockholders' equity	64,320	61,112
	-----	-----
	\$74,799	\$72,458
	-----	-----

</TABLE>

See accompanying notes

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

<TABLE>  
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	Nine Months Ended April 30,	
	1996	1995
	(In thousands, except per share data)	
<S>	<C>	<C>
Revenues:		
Operating revenues	\$25,117	\$23,286
Costs and expenses:		
Cost of sales and diagnostic services	10,925	10,563
Research and development expenses	1,975	1,559
Selling expenses	2,010	2,072
Provision for uncollectable accounts receivable	2,496	2,178
General and administrative expenses	6,100	5,987
Litigation settlement, net of legal fees	--	(21,000)
	-----	-----

	23,506	1,359
	-----	-----
Income before interest and provision for income taxes	1,611	21,927
Interest income - net	1,154	639
	-----	-----
Income before provision for income taxes	2,765	22,566
Provision for income taxes	(865)	(3,045)
	-----	-----
Net income	\$ 1,900	\$19,521
	-----	-----
	-----	-----
Net income per common and common equivalent share	\$ 0.08	\$ 0.89
	-----	-----
	-----	-----
Weighted average common shares	22,716	21,949
	-----	-----
	-----	-----

</TABLE>

See accompanying notes

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

<TABLE>  
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	Three Months Ended April 30,	
	1996	1995
	-----	
	(In thousands, except per share data)	
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Revenues:		
Operating revenues	\$ 8,553	\$ 8,217
Costs and expenses:		
Cost of sales and diagnostic services	3,866	3,666
Research and development expenses	700	537
Selling expenses	729	741
Provision for uncollectable accounts receivable	1,142	1,081
General and administrative expenses	1,872	2,266
	-----	-----
	8,309	8,291
	-----	-----
Income (loss) before interest and provision for income taxes	244	(74)
Interest income - net	390	330
	-----	-----
Income before provision for income taxes	634	256
Provision for income taxes	(195)	(15)
	-----	-----
Net income	439	241
	-----	-----
	-----	-----
Net income per common and common equivalent share	\$ 0.02	\$ 0.01
	-----	-----
	-----	-----
Weighted average common shares	22,716	21,949
	-----	-----
	-----	-----

</TABLE>

See accompanying notes

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CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)

<TABLE>  
<CAPTION>

	Nine Months Ended April 30,	
	1996	1995
(In thousands)		
	-----	-----
<S>	<C>	<C>
Cash flows from operating activities:		
Net income	\$ 1,900	\$19,521
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	669	643
Amortization of cost in excess of fair value of tangible assets acquired	278	277
Amortization of deferred patent costs	374	360
Provision for uncollectable accounts receivable	2,496	2,178
Prepaid expenses converted into legal fees from previously issued stock	61	--
Issuance of stock for employee pension contribution	95	--
Deferred income tax provision	--	3,000
	-----	-----
Total non-cash adjustments to income	3,973	6,458
Change in operating assets and liabilities		
Note receivable - litigation settlement	4,400	(17,800)
Research contract receivable	--	6,500
Accounts receivable before provision for uncollectable amounts	(5,263)	(5,085)
Inventories	(36)	(160)
Other assets	172	62
Trade accounts payable, income taxes payable and other accrued expenses	(855)	(1,542)
Accrued legal fees	(66)	1,771
Deferred liabilities	120	(26)
Accrued interest payable	--	(30)
	-----	-----
	2,445	(9,852)
	-----	-----
Net cash provided by operating activities	\$4,345	\$9,669
	-----	-----

</TABLE>

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

<TABLE>  
<CAPTION>

	Nine Months Ended April 30,	
	1996	1995
(In thousands)		
	-----	-----
<S>	<C>	<C>
Cash flows from investing activities:		
Capital expenditures	(\$319)	(\$851)
Patent costs deferred	(235)	(240)
(Increase) decrease in other assets	(23)	58
Proceeds from insurance recovery	42	--
	-----	-----
Net cash used in investing activities	(535)	(1,033)
	-----	-----
Cash flows from financing activities:		
Payment of bank debt	--	(2,026)
Payments of obligations under capital lease	(66)	(63)
Proceeds from stock options and warrants	1,212	1,108
Payment of Debenture Bonds	--	(62)

Net cash provided (used) by financing activities	1,146	(1,043)
	-----	-----
Net increase in cash and cash equivalents	4,956	7,593
Cash and cash equivalents at the beginning of the period	11,068	4,151
	-----	-----
Cash and cash equivalents at the end of the period	\$16,024	\$11,744
	-----	-----

</TABLE>

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ENZO BIOCHEM, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
April 30, 1996  
(Unaudited)

1. The consolidated balance sheet as of April 30, 1996, the consolidated statement of operations for three and nine months ended April 30, 1996 ("1996 Period") and 1995 ("1995 Period") and the consolidated statement of cash flows for the nine months ended April 30, 1996 and 1995 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, 1996 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 1995 Annual Report on Form 10-K. The results of operations for the three and nine months ended April 30, 1996 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 related 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. These future payments are recorded at net present value discounted using an interest rate of 5.25%. 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. 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 plant 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. 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 damage the Company's antisense patents by improperly using 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. On February 2, 1996 the Delaware Court issued an

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opinion ruling against Enzo and in favor of Calgene, finding certain Enzo claims infringed, but the patent as a whole not infringed, and finding the claims at issue invalid for lack of enablement. Calgene's patent was found valid (non-obvious) over the prior art. On February 29, 1996, the Delaware Court issued an Order withdrawing its February 2, 1996 Opinion. Enzo intends to appeal from any adverse judgment. 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.

4. 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.

5. In April, 1994, the Company signed a non-exclusive worldwide distribution and supply agreement with Boehringer Mannheim Biochemicals. During fiscal 1995 similar agreements were signed with Amersham International and with Dako A/S. In September 1995, a fourth agreement was concluded with VWR Scientific Products (acquired from Baxter Healthcare). Under the terms of these agreements, the distributor companies sells 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 include products that were developed and marketed by these companies prior to the agreement, as well as products developed by Enzo, all of which are covered by Enzo patents. The agreements extend for the life of the last patent to expire for products involved.

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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 was \$4,345,000 for the nine months ended April 30, 1996, compared with \$9,669,000 for the nine months ended April 30, 1995. This decrease was a result of a decrease in proceeds from the J&J settlement offset by changes in operating assets and liabilities.

Net cash provided from financing activities was approximately \$1,146,000 for the nine months ended April 30, 1996 primarily as a result of \$1,212,000 from proceeds of exercised stock options, as compared to net cash used from financing activities of approximately \$1,043,000 for the nine months ended April 30, 1995 which was primarily used for repayment of bank debt.

Net cash used in investing activities was approximately \$535,000 for the nine months ended April 30, 1996, compared with \$1,033,000 for the nine months ended April 30, 1995. This decrease was the result of a reduction in capital expenditures.

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, 1996 the Company had working capital of approximately \$32,843,000.

The Company has a \$5,000,000 line of credit with a bank at an interest rate of prime. As of April 30, 1996, the Company did not have amounts outstanding under this line of credit.

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. These future payments are recorded at net present value discounted using an interest rate of 5.25%. 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.

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 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, 1996 COMPARED WITH NINE MONTHS ENDED APRIL 30, 1995

Operating revenues for the nine months ended April 30, 1996 ("1996 period") increased by \$1,831,000 over operating revenues for the nine months ended April 30, 1995 ("1995 period"). This increase was due to an increase of \$2,619,000 of research product revenues offset by a \$788,000 decrease in revenues from the clinical reference laboratory as compared to the 1995 period. Revenues at the laboratory were impacted by a reduced number of billing days due to unusually bad weather, as well as a change in the test mix of services provided. Revenues from the sale of research products increased as a result of the Company's distribution agreements.

Cost of sales increased by approximately \$362,000 primarily due to increased sales of research products related to the distribution agreements.

Research and development expenses increased by \$416,000 due to expanded research and development and clinical programs.

Selling expenses decreased by \$62,000 due to a decrease in marketing programs and sales personnel for the clinical reference laboratory.

The increase in general and administrative expenses of \$113,000 was primarily due to increased legal expenses.

The provision for bad debts increased by \$318,000 due to an adjustment in reimbursement rates from insurance carriers for the clinical reference laboratory.

Interest income increased by \$515,000 as a result of the proceeds from investment of the Company's cash equivalents.

The provision for taxes decreased approximately \$2,180,000 primarily due to a reduction of income resulting from the recognition last year of the litigation settlement.

THREE MONTHS ENDED APRIL 30, 1996 COMPARED WITH THREE MONTHS ENDED APRIL 30, 1995

Operating revenues for the three months ended April 30, 1996 ("1996 period") increased by \$336,000 over revenues from operations for the three months ended April 30, 1995 ("1995 period"). This increase was due to an increase in research product sales of \$626,000 offset by decreases of \$290,000 in revenues from the clinical reference laboratory for the similar activity in the 1995 period.

Cost of sales increased by \$200,000 primarily as a result of increased sales of research products.

Research and development expenses increased by \$163,000 due to expanded research and development and clinical programs.

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Selling expenses decreased by \$12,000 as a result of a decrease in personnel costs related to the clinical reference laboratory.

General and administrative expenses decreased by approximately \$394,000 as a result of a decrease of legal expenses.

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ENZO BIOCHEM, INC.  
PART II - OTHER INFORMATION

Item 1 - Legal Proceedings

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 plant 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. 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 damage the Company's antisense patents by improperly using 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. On February 2, 1996 the Delaware Court issued an opinion ruling against Enzo and in favor of Calgene, finding certain Enzo claims infringed, but the patent as a whole not infringed, and finding the claims at issue invalid for lack of enablement. Calgene's patent was found valid (non-obvious) over the prior art. On February 29, 1996, the Delaware Court issued an Order withdrawing its February 2, 1996 Opinion. Enzo intends to appeal from any adverse judgment. 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.

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.

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(registrant)

Date: June 12, 1996

by:/s/ Barry W. Weiner

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Barry W. Weiner, Executive  
Vice President-Secretary

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<ARTICLE> 5

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM FORM 10-Q FOR THE QUARTERLY PERIOD ENDED APRIL 30, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENT.

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