

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 October 31, 2023

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-09974

ENZO BIOCHEM, INC.

(Exact name of registrant as specified in its charter)

New York

(State or Other Jurisdiction of  
Incorporation or Organization)

13-2866202

(IRS. Employer  
Identification No.)

81 Executive Blvd. Suite 3 Farmingdale, New York

(Address of Principal Executive office)

11735

(Zip Code)

(631) 755-5500

(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common stock \$0.01 par value	ENZ	The New York Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 45 of Regulation S-T (§232.405 of that chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer a smaller reporting company, or an emerging growth company (as defined in Rule 12b-2 of the Exchange Act).

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Yes  No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.)

Yes  No

As of December 8, 2023, the Registrant had 50,489,771 shares of common stock outstanding.

ENZO BIOCHEM, INC.  
FORM 10-Q  
October 31, 2023

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**PART I FINANCIAL INFORMATION**  
**ITEM 1 FINANCIAL STATEMENTS**

**ENZO BIOCHEM, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands, except share and per share data)

	<b>October 31 2023 (unaudited)</b>	<b>July 31, 2023</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 69,207	\$ 82,373
Accounts receivable, net	4,181	4,808
Inventories, net	7,595	7,939
Prepaid expenses and other current assets, including \$5,000 escrow at October 31, 2023 and \$1,000 restricted cash at July 31, 2023	7,029	3,336
<b>Total current assets</b>	<b>88,012</b>	<b>98,456</b>
Property, plant, and equipment, net	13,075	13,086
Right-of-use assets	3,405	3,626
Other assets, including \$5,000 escrow at July 31, 2023	726	5,745
Non-current assets of discontinued operations, net	1,090	967
<b>Total assets</b>	<b>\$ 106,308</b>	<b>\$ 121,880</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable – trade	\$ 1,962	\$ 3,575
Accrued liabilities	10,042	11,743
Current portion of operating lease liabilities	920	980
Other current liabilities	75	75
Convertible debentures	2,842	2,514
Current liabilities of discontinued operations, net	13,001	21,102
<b>Total current liabilities</b>	<b>28,842</b>	<b>39,989</b>
Operating lease liabilities, non-current	2,972	3,160
Long term debt, net	219	269
<b>Total liabilities</b>	<b>\$ 32,033</b>	<b>\$ 43,418</b>
Contingencies – see Note 13		
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: 50,489,771 at October 31, 2023 and 49,997,631 at July 31, 2023	504	499
Additional paid-in capital	345,991	344,435
Accumulated deficit	(274,966)	(268,350)
Accumulated other comprehensive income	2,746	1,878
<b>Total stockholders' equity</b>	<b>74,275</b>	<b>78,462</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 106,308</b>	<b>\$ 121,880</b>

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

**ENZO BIOCHEM, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(unaudited)  
(in thousands, except per share data)

	<b>Three Months Ended October 31,</b>	
	<b>2023</b>	<b>2022</b>
Revenues	\$ 7,806	\$ 7,103
Operating costs and expenses, net:		
Cost of revenues	4,351	4,589
Research and development	849	699
Selling, general, and administrative	7,007	5,437
Legal and related expenses	1,075	1,007
Total operating costs and expenses	<u>13,282</u>	<u>11,732</u>
Operating loss	(5,476)	(4,629)
Other income (expense):		
Interest, net	977	72
Change in fair value of convertible debentures	(328)	—
Other	158	—
Foreign exchange loss	<u>(1,006)</u>	<u>(797)</u>
Loss before income taxes	(5,675)	(5,354)
Income taxes	—	—
Net loss from continuing operations	\$ (5,675)	\$ (5,354)
Net loss from discontinued operations	<u>(941)</u>	<u>(5,281)</u>
Net loss	<u>(6,616)</u>	<u>(10,635)</u>
Net loss per common share – basic and diluted:		
Continuing operations	\$ (0.11)	\$ (0.11)
Discontinued operations	<u>(0.02)</u>	<u>(0.11)</u>
Total net loss per basic and diluted common share	<u>\$ (0.13)</u>	<u>\$ (0.22)</u>
Weighted average common shares outstanding:		
Basic	<u>50,184</u>	<u>48,720</u>
Diluted	<u>50,184</u>	<u>48,720</u>

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

**ENZO BIOCHEM, INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
**(unaudited)**  
**(in thousands)**

	<b>Three Months Ended October 31,</b>	
	<b>2023</b>	<b>2022</b>
Net loss	\$ (6,616)	\$ (10,635)
Other comprehensive income:		
Foreign currency translation adjustments	868	733
Comprehensive loss	<u>\$ (5,748)</u>	<u>\$ (9,902)</u>

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

**ENZO BIOCHEM, INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**Three Months Ended October 31, 2023 and 2022**  
**(unaudited)**  
**(in thousands, except share data)**

	<i>Common Stock Shares Issued</i>	<b>Common Stock Amount</b>	<b>Additional Paid-in Capital</b>	<b>Accumulated Deficit</b>	<b>Accumulated Other Comprehensive Income</b>	<b>Total Stockholders' Equity</b>
<b>Balance at July 31, 2023</b>	49,997,631	\$ 499	\$ 344,435	\$ (268,350)	\$ 1,878	\$ 78,462
Net loss for the three months ended October 31, 2023	—	—	—	(6,616)	—	(6,616)
Vested restricted stock unit issuances	144,530	1	—	—	—	1
Common stock issued for Asset Purchase Agreement bonus payment	347,610	4	481	—	—	485
Share-based compensation charges	—	—	1,075	—	—	1,075
Foreign currency translation adjustments	—	—	—	—	868	868
<b>Balance at October 31, 2023</b>	<u>50,489,771</u>	<u>\$ 504</u>	<u>\$ 345,991</u>	<u>\$ (274,966)</u>	<u>\$ 2,746</u>	<u>\$ 74,275</u>
	<i>Common Stock Shares Issued</i>	<b>Common Stock Amount</b>	<b>Additional Paid-in Capital</b>	<b>Accumulated Deficit</b>	<b>Accumulated Other Comprehensive Income</b>	<b>Total Stockholders' Equity</b>
<b>Balance at July 31, 2022</b>	48,720,454	\$ 487	\$ 339,462	\$ (288,638)	\$ 3,151	\$ 54,462
Net loss for the period ended October 31, 2022	—	—	—	(10,635)	—	(10,635)
Share-based compensation charges	—	—	430	—	—	430
Foreign currency translation adjustments	—	—	—	—	733	733
<b>Balance at October 31, 2022</b>	<u>48,720,454</u>	<u>\$ 487</u>	<u>\$ 339,892</u>	<u>\$ (299,273)</u>	<u>\$ 3,884</u>	<u>\$ 44,990</u>

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

**ENZO BIOCHEM, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

	<b>Three Months Ended</b>	
	<b>October 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (6,616)	\$ (10,635)
<b>Adjustments to reconcile net loss to net cash used in operating activities:</b>		
Change in fair value of convertible debentures	328	—
Depreciation and amortization of property, plant and equipment	270	780
Amortization of intangible, prepaid and other assets	—	22
Share-based compensation charges	1,075	430
Share-based 401(k) employer match expense	109	198
Unrealized foreign exchange loss	970	783
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable	2,019	(11)
Inventories	428	(393)
Prepaid expenses and other assets	346	666
Accounts payable – trade	(5,601)	(407)
Accrued liabilities, other current liabilities and other liabilities	(6,702)	(126)
Total adjustments	<u>(6,758)</u>	<u>1,942</u>
Net cash used in operating activities	<u>(13,374)</u>	<u>(8,693)</u>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(254)	(652)
Net cash used in investing activities	<u>(254)</u>	<u>(652)</u>
<b>Cash flows from financing activities:</b>		
Repayments under mortgage agreement and capital leases	(51)	(95)
Cash payments for taxes related to net share settlements of equity awards	(467)	—
Net cash used in financing activities	<u>(518)</u>	<u>(95)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(20)</u>	<u>(28)</u>
Decrease in cash and cash equivalents and restricted cash	(14,166)	(9,468)
Cash and cash equivalents and restricted cash - beginning of period	83,373	22,603
Cash and cash equivalents and restricted cash - end of period	<u>\$ 69,207</u>	<u>\$ 13,135</u>
<b>Composition of cash and cash equivalents and restricted cash is as follows:</b>		
Cash and cash equivalents	69,207	12,135
Restricted cash	—	1,000
Total cash and cash equivalents and restricted cash	<u>\$ 69,207</u>	<u>\$ 13,135</u>

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

**ENZO BIOCHEM, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**As of October 31, 2023**  
**(unaudited)**  
**(Dollars in thousands except share data)**

**Note 1 – Basis of Presentation**

Enzo Biochem, Inc. (the “Company,” “we,” “our” or “Enzo”), is a manufacturer and supplier of a comprehensive portfolio of thousands of high-quality products, including antibodies, genomic probes, assays, biochemicals, and proteins. The Company’s proprietary products and technologies play central roles in translational research and drug development areas, including cell biology, genomics, assays, immunohistochemistry, and small molecule chemistry. Enzo Biochem, Inc.’s Life Science division supports the work of research centers and industry partners. Enzo Biochem, Inc. has a broad and deep intellectual property portfolio, with patent coverage across many vital enabling technologies.

The accompanying consolidated financial statements include the accounts of Enzo Biochem, Inc. and its wholly-owned subsidiaries, Enzo Life Sciences, Inc. (“Enzo Life Sciences”), Enzo Therapeutics, Inc. (“Enzo Therapeutics”), Enzo Realty LLC (“Enzo Realty”), and Enzo Realty II LLC (“Enzo Realty II”), collectively or with one or more of its subsidiaries referred to as the “Company” or “Companies.” The financial statements also include as discontinued operations the accounts of its wholly owned subsidiary Enzo Clinical Labs, Inc. (“Enzo Clinical Labs”). Effective July 24, 2023 we completed the sale of certain assets used in its clinical services operations to Laboratory Corporation of America Holdings, a Delaware corporation (“Labcorp”) and exited the clinical services business. See Note 2.

The Company has one reportable segment, Products. The consolidated balance sheet as of October 31, 2023, the consolidated statements of operations, comprehensive loss and stockholders’ equity for the three months ended October 31, 2023 and 2022, and the consolidated statements of cash flows for the three months ended October 31, 2023 and 2022 (the “interim statements”) are unaudited. In the opinion of management, all adjustments (which include normal recurring adjustments) necessary to present fairly the financial position and operating results for the interim periods have been made. Certain information and footnote disclosure, normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), have been condensed or omitted. The interim statements should be read in conjunction with the consolidated financial statements for the fiscal year ended July 31, 2023 and notes thereto contained in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission. The consolidated balance sheet at July 31, 2023 has been derived from the audited financial statements at that date. The results of operations for the three months ended October 31, 2023 are not necessarily indicative of the results that may be expected for the fiscal year ending July 31, 2024.

*Principles of consolidation*

The accompanying consolidated financial statements have been prepared in conformity with U.S. GAAP and include the accounts of the Company and its wholly-owned subsidiaries, Enzo Life Sciences (and its wholly-owned foreign subsidiaries), Enzo Therapeutics, Enzo Realty, Enzo Realty II, and Enzo Clinical Labs (a corporate entity with discontinued operations). All intercompany transactions and balances have been eliminated.

*Use of Estimates*

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.



### *Contingencies*

Contingencies are evaluated and a liability is recorded when the matter is both probable and reasonably estimable. Gain contingencies are evaluated and not recognized until the gain is realizable or realized.

### *Fair Value Measurements*

The Company determines fair value measurements used in its consolidated financial statements based upon the exit price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants exclusive of any transaction costs, as determined by either the principal market or the most advantageous market. Inputs used in the valuation techniques to derive fair values are classified based on a three-level hierarchy. The basis for fair value measurements for each level within the hierarchy is described below with Level 1 having the highest priority and Level 3 having the lowest.

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable in active markets.

Level 3 Valuations derived from valuation techniques in which one or more significant inputs are unobservable.

### *Cash and cash equivalents*

Cash and cash equivalents consist of demand deposits with banks and highly liquid money market funds. At October 31, 2023 and July 31, 2023, the Company had cash and cash equivalents in foreign bank accounts of \$512 and \$419, respectively.

### *Concentration of Credit Risk*

Financial instruments that potentially subject the Company to concentrations of credit risk primarily consist of cash and cash equivalents and accounts receivable. The Company believes the fair value of the aforementioned financial instruments approximates the cost due to the immediate or short-term nature of these items. At October 31, 2023 and July 31, 2023, the Company had cash deposited in certain financial institutions in excess of federally insured levels. The Company regularly monitors the financial stability of these financial institutions and believes that it is not exposed to any significant credit risk in cash and cash equivalents or restricted cash.

Concentration of credit risk with respect to the Company's Products segment is mitigated by the diversity of the Company's customers and their dispersion across many different geographic regions. To reduce risk, the Company routinely assesses the financial strength of these customers and, consequently, believes that its accounts receivable credit exposure with respect to these customers is limited.

### *Income Taxes*

The Company accounts for income taxes under the liability method of accounting for income taxes. Under the liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The liability method requires that any tax benefits recognized for net operating loss carry forwards and other items be reduced by a valuation allowance when it is more likely than not that the benefits may not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Under the liability method, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

*Effect of New Accounting Pronouncements - Recently Adopted Accounting Pronouncements*

In June 2016, FASB issued ASU No. 2016-13 *Financial Instruments – Credit Losses* (Topic 326). This standard changes the impairment model for most financial instruments, including trade receivables, from an incurred loss method to a new forward-looking approach, based on expected losses. The estimate of expected credit losses will require entities to incorporate considerations of historical information, current information and reasonable and supportable forecasts. We adopted this standard for our interim period beginning August 1, 2023 using a modified retrospective transition approach. The impact of the adoption of this standard on our results of operations, financial position and cash flows is not material.

We reviewed all other recently issued accounting pronouncements and have concluded they are not applicable or not expected to be significant to the accounting for our operations.

**Note 2 - Discontinued operations**

Prior to July 24, 2023, we operated a clinical laboratory, doing business as Enzo Clinical Labs, which provided reference, molecular and esoteric diagnostic medical testing services in the New York, New Jersey, and Connecticut medical communities. Effective July 24, 2023, we completed the sale of certain assets used in the operation of Enzo Clinical Labs and the assignment of certain clinical lab liabilities to Labcorp for an aggregate purchase price of \$113.25 million in cash, subject to customary closing adjustments. Excluded from the sale of the clinical services assets were its cash and accounts receivable. In accordance with the sale, we ceased our clinical services operations but continue winding down activities. As a consequence of the sale, for the three months ended October 31, 2023 and 2022 we have classified as discontinued operations all income and expenses attributable to the clinical services business.

The following table sets forth the condensed operating results of the discontinued operations for the three months ended October 31,

	<u>2023</u>	<u>2022</u>
Net revenues	—	\$ 11,173
Cost of revenues	\$ (175)	10,082
Selling, general and administrative	1,437	6,014
Research and development	—	297
Legal and related expenses	41	64
Other income	(362)	(3)
Loss from discontinued operations	<u>\$ (941)</u>	<u>\$ (5,281)</u>

The following table sets forth the condensed carrying amounts of major classes of assets and liabilities of the discontinued operations as of the dates indicated:

	<u>October 31, 2023</u>	<u>July 31, 2023</u>
<u>Carrying amounts of major current assets included as part of discontinued operations:</u>		
Trade receivables	\$ 378	\$ 1,675
Prepaid and other current	41	54
Total current assets	<u>419</u>	<u>1,729</u>
<u>Carrying amounts of major current liabilities included as part of discontinued operations:</u>		
Trade payables and accrued liabilities	11,214	20,616
Operating lease liabilities and other	2,206	2,215
Total current liabilities	<u>13,420</u>	<u>22,831</u>
Current liabilities of discontinued operations, net	<u>13,001</u>	<u>21,102</u>
<u>Carrying amount of major non-current assets included as part of discontinued operations:</u>		
Right of use assets	\$ 6,564	\$ 7,001
Other	62	62
Total non-current assets	<u>6,626</u>	<u>7,063</u>
<u>Carrying amount of major non-current liabilities included as part of discontinued operations:</u>		
Operating lease liabilities and other	<u>5,536</u>	<u>6,096</u>
Non-current assets of discontinued operations, net	<u>\$ 1,090</u>	<u>\$ 967</u>

During the three months ended October 31, 2023, the cash used in operating activities of the discontinued operations was \$8,082, primarily for reductions of trade payables and accrued liabilities. During the three months ended October 31, 2022, the cash used in operating activities and investing activities of the discontinued operations was \$5,623 and \$156, respectively.

### **Note 3 - Net income (loss) per share**

Basic net income (loss) per share represents net income (loss) divided by the weighted average number of common shares outstanding during the period. The dilutive effect of potential common shares, consisting of outstanding stock options, and unvested restricted stock units and performance stock units, is determined using the treasury stock method.

For the three months ended October 31, 2023, the effect of approximately 3,320,000 of outstanding “out of the money” options to purchase common shares and the effect of approximately 54,000 of outstanding restricted stock units were excluded from the calculation of diluted net (loss) income per share because their effect would be anti-dilutive. During the three months ended October 31, 2023, the effect of approximately 593,000 warrants and the effect of approximately 1,199,000 shares related to the assumed conversion of debentures were excluded from the calculation of diluted weighted average shares outstanding because their effect would be anti-dilutive.

For the three months ended October 31, 2022, approximately 106,000 potential common shares from “in the money options” and unearned performance stock units were excluded from the calculation of diluted (loss) per share. For the three months ended October 31, 2022, the effect of approximately 2,595,000 of outstanding “out of the money” options to purchase common shares were excluded from the calculation of diluted net (loss) income per share because their effect would be anti-dilutive.

### **Note 4 – Revenue Recognition**

#### Products Revenue

The Company generates revenue from the sale of our single-use products used in the identification of genomic information. Revenue is recorded net of sales tax. The Company considers revenue to be earned when all of the following criteria are met: the Company has a contract with a customer that creates enforceable rights and obligations; promised products are identified; the transaction price is determinable; and the Company has transferred control of the promised items to the customer. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is the unit of account in the contract. The transaction price for the contract is measured as the amount of consideration the Company expects to receive in exchange for the goods expected to be transferred. A contract’s transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, control of the distinct good or service is transferred. Transfer of control for the Company’s products is generally at shipment or delivery, depending on contractual terms, but occurs when title and risk of loss transfers to the customer which represents the point in time when the customer obtains the use of and substantially all of the remaining benefit of the product. As such, the Company’s performance obligation related to product sales is satisfied at a point in time. The Company recognizes a receivable when it has an unconditional right to payment, which represents the amount the Company expects to collect in a transaction and is most often equal to the transaction price in the contract. Payment terms for shipments to end-user and distributor customers may range from 30 to 90 days. Amounts billed to customers for shipping and handling are included in revenue, while the related shipping and handling costs are reflected in cost of revenues.

Products revenue by geography is as follows:

	Three Months Ended October 31	
	2023	2022
United States	\$ 4,635	\$ 4,095
Europe	2,138	1,904
Asia Pacific	1,033	1,104
Products revenue	<u>\$ 7,806</u>	<u>\$ 7,103</u>

As of August 1, 2023 and 2022, accounts receivable from continuing operations was \$4,808 and \$4,762, respectively.

#### Note 5 - Supplemental disclosure for statement of cash flows

In the three months ended October 31, 2023 and 2022, interest paid by the Company approximated \$92 and \$53, respectively.

For the three months ended October 31, 2023 and 2022, the net reductions in the measurement of right of use assets and liabilities included in cash flows from operating activities was approximately \$148 and \$1, respectively. The changes are included in changes in accrued liabilities, other current liabilities, and other liabilities in the statements of cash flows.

In connection with the completed sale of certain assets used in the operation of Enzo Clinical Labs, \$5,000 of escrowed proceeds were included in prepaid and other assets as of October 31, 2023 and in other assets as of July 31, 2023. In connection with the full payment of a mortgage in July 2023, the restricted cash collateral deposit of \$1,000 was released during the three months ended October 31, 2023.

During the three months ended October 31, 2023, the Company disbursed \$467 for taxes related to net share settlement of bonuses paid in stock to two senior executives.

#### Note 6 - Inventories

Inventories, net consisted of the following as at:

	October 31, 2023	July 31, 2023
Raw materials	\$ 2,081	\$ 2,206
Work in process	2,587	2,599
Finished products	2,927	3,134
	<u>\$ 7,595</u>	<u>\$ 7,939</u>

#### Note 7 – Convertible debentures and other current debt

On May 19, 2023, the Company entered into a Securities Purchase Agreement (the “Purchase Agreement”) with each of the purchasers that are parties thereto (each, including its successors and assigns, a “Purchaser” and collectively, the “Purchasers”) and JGB Collateral, LLC, a Delaware limited liability company, as collateral agent for the Purchasers (the “Agent”). Pursuant to the Purchase Agreement, the Company agreed to sell to the Purchasers (i) 10% Original Issue Discount Secured Convertible Debentures (the “Debentures”) with an aggregate principal amount of \$7,608 and (ii) warrants to purchase up to 1,000,000 shares of the Company’s common stock, par value \$0.01 per share (the “Common Stock”), for an exercise price of \$2.31 per share, the average of the three (3) daily volume weighted average prices of the Common Stock as defined in the Purchase Agreement (“VWAP”) prior to the closing date (the “Warrants”), subject to adjustments as set forth in the Warrants, for a total purchase price of \$7,000. The Purchase Agreement contains customary representations, warranties and covenants. The transactions contemplated by the Purchase Agreement were consummated on May 19, 2023. Pursuant to ASC 825, *Fair Value Option*, the Company made an irrevocable election at the time of issuance to report the Debentures at fair value with changes in fair value recorded through the Company’s consolidated statements of operations as other income (expense) in each reporting period.

### Debentures

The Debentures bear interest at a rate of 10% per annum (which interest rate is increased to 18% per annum five days after the occurrence and continuance of an Event of Default (as defined in the Debentures)), have a maturity date of May 20, 2024 and are convertible, at any time after their issuance date at the option of the Purchasers, into shares of Common Stock at a conversion price equal to \$3.01 per share (the "Conversion Price"), subject to adjustment as set forth in the Debentures. Following the July 24, 2023 consummation of the Company's sale of certain assets and assignment of certain liabilities of Enzo Clinical Labs to Labcorp pursuant to the Asset Purchase Agreement, dated March 16, 2023, the Company prepaid \$4,000 of the outstanding principal amount prior to July 31, 2023.

The Company's obligations under the Debentures may be accelerated, at the Purchasers' election, upon the occurrence of certain customary events of default. As of October 31, 2023 and July 31, 2023, there were no events of default. The Debentures contain customary representations, warranties and covenants including among other things and subject to certain exceptions, covenants that restrict the Company from incurring additional indebtedness, creating or permitting liens on assets, amending its charter documents and bylaws, repurchasing or otherwise acquiring more than a de minimis number of its Common Stock or equivalents thereof, repaying outstanding indebtedness, paying dividends or distributions, assigning or selling certain assets, making or holding any investments, and entering into transactions with affiliates.

The following table presents a reconciliation of the beginning and ending balances of the convertible debentures measured at fair value on a recurring basis that use significant unobservable inputs (Level 3) and the related unrealized losses recorded in the consolidated statement of operations during the three months ended October 31, 2023:

Fair value, July 31, 2023	\$	2,514
Change in fair value of convertible debentures		328
Fair value, October 31, 2023	\$	<u>2,842</u>

### Security Agreement and Subsidiary Guarantees

In connection with the Purchase Agreement, on May 19, 2023, the Company, certain of the Company's domestic subsidiaries ("Guarantors"), the Purchasers and the Agent entered into a Security Agreement (the "Security Agreement"), pursuant to which the Company and the Guarantors granted, for the benefit of the Purchasers, to secure the Company's obligations under the Purchase Agreement and the Debentures.

### Warrants

The Warrants are exercisable for five years from May 19, 2023, at an exercise price of \$2.31 per share, which is the average of three (3) daily VWAPs prior to the closing date, subject, with certain exceptions, to adjustments in the event of stock splits, dividends, subsequent dilutive offerings and certain fundamental transactions, as more fully described in the Warrant.

### Registration Rights Agreement

In connection with the Purchase Agreement, on May 19, 2023, the Company and the Purchasers entered into a Registration Rights Agreement, pursuant to which the Company is obligated to register the shares of Company Common Stock issuable upon exercise of the Debentures and the Warrants. The Company has registered the shares.

### Note 8 – Long term debt

In April 2020, the Company's subsidiary in Switzerland received a loan of CHF 400 (or \$400, based on the foreign exchange rate as of July 31, 2020) from the Swiss government under the "Corona Krise" emergency loan program in response to the COVID-19 pandemic. This loan is uncollateralized and bears 0% interest. In January 2022, the bank agent of the Swiss government informed our subsidiary that the loan had to be fully amortized within a maximum of eight years and that the first of semiannual amortization payments of CHF 33 would begin in March 2022. In March 2022, the subsidiary made its first semi-annual principal repayment of CHF 33 (or \$35 based on exchange rates). Based on this amortization schedule, the loan will be repaid by September 2027. The current portion of this loan is included in other current liabilities and the long term portion in long term debt – net as of October 31, 2023 and July 31, 2023.

Minimum future annual principal payments under this agreement as of October 31, 2023 are as follows:

<b>July 31,</b>	<b>Total</b>
2024	\$ 37
2025	74
2026	74
2027	74
2028	35
Total principal payments	294
Less: current portion, included in other current liabilities	(75)
Long term debt – net	\$ 219

### Note 9 - Leases

The Company determines if an arrangement is or contains a lease at contract inception. The Company leases buildings, office space, and equipment through operating leases. Generally, a right-of-use asset, representing the right to use the underlying asset during the lease term, and a lease liability, representing the payment obligation arising from the lease, are recognized on the balance sheet at lease commencement based on the present value of the payment obligation. For operating leases, expense is recognized on a straight-line basis over the lease term. Short-term leases with an initial term of 12 months or less are not recorded on the balance sheet; the Company recognizes lease expense for these leases on a straight-line basis over the lease term. The Company primarily uses its incremental borrowing rate in determining the present value of lease payments as the Company's leases generally do not provide an implicit rate.

The Company has lease agreements with (i) right-of-use asset payments and (ii) non-lease components (e.g. payments related to maintenance fees, utilities, etc.) which have generally been combined and accounted for as a single lease component. The Company's leases have remaining terms of less than 1 year to 4 years, some of which include options to extend the leases for up to 3 years. The Company's lease terms may include renewal options that are reasonably certain to be exercised and termination options that are reasonably certain not to be exercised.

Certain of the Company's lease agreements include rental payments adjusted periodically for inflation or a market rate which are included in the lease liabilities.

Leases	Balance Sheet Classification	October 31, 2023	July 31, 2023
<b>Assets</b>			
Operating	Right-of-use assets	\$ 3,405	\$ 3,626
<b>Total lease assets</b>		<b>\$ 3,405</b>	<b>\$ 3,626</b>
<b>Liabilities</b>			
Current:			
Operating	Current portion of operating lease liabilities	\$ 920	\$ 980
Non-current:			
Operating	Operating lease liabilities, non-current	2,972	3,160
<b>Total lease liabilities</b>		<b>\$ 3,892</b>	<b>\$ 4,140</b>

For the three months ended October 31, components of lease cost were as follows:

Lease Cost	2023	2022
Operating lease cost – net (a)	\$ 141	\$ 262

(a) Net of \$126 sublease income for the three months ended October 31, 2023.

The maturity of the Company's lease liabilities as of October 31, 2023 is as follows:

Maturity of lease liabilities, years ending July 31,	Operating leases
2024	\$ 863
2025	896
2026	886
2027	881
2028	808
Total lease payments	4,334
Less: Interest (a)	(442)
Present value of lease liabilities	<b>\$ 3,892</b>

(a) Primarily calculated using the Company's incremental borrowing rate.

Lease term and discount rate for the for the three months ended October 31 were as follows:

Lease term and discount rate	2023	2022
Weighted-average remaining lease term (years):		
Operating leases	4.5 years	5.5 years
Weighted-average discount rate:		
Operating leases	5.1%	5.1%

See Note 5 for cash flow information on cash paid for amounts included in the measurement of lease liabilities for the three months ended October 31, 2023 and 2022.

## Note 10 - Accrued Liabilities and other current liabilities

Accrued liabilities consist of:

	October 31, 2023	July 31, 2022
Payroll, benefits and commissions	\$ 7,715	\$ 7,421
Professional fees	543	610
Legal	1,095	2,248
Other	689	1,464
	<u>\$ 10,042</u>	<u>\$ 11,743</u>

### *Self-Insured Medical Plan*

The Company self-funds medical insurance coverage for certain of its U.S. based employees. The risk to the Company is believed to be limited through the use of individual and aggregate stop loss insurance. As of October 31, 2023 and July 31, 2023, the Company had established reserves of \$252 and \$631, respectively, which are included in accrued liabilities for payroll, benefits and commissions, for claims that have been reported but not paid and for claims that have been incurred but not reported. The reserve is based upon the Company's historical payment trends, claim history and current estimates.

At October 31, 2023 and July 31, 2023 other current liabilities consist of the current portion of the Swiss government loan.

## Note 11 - Stockholders' equity

### *Controlled Equity Offering*

In May 2023, the Company entered into a sales agreement (the "Sales Agreement") with B. Riley Securities, Inc. as sales agent ("Riley"). Under the Sales Agreement, the Company may offer and sell, from time to time, through Riley, shares of the Company's common stock, par value \$0.01 per share ("Shares") having an aggregate offering price of up to \$30 million. The Company pays Riley a commission of 3.0% of the aggregate gross proceeds received under the Sales Agreement. The Company is not obligated to make any sales of Shares under the Sales Agreement. The offering of Shares pursuant to the Sales Agreement will terminate upon the earlier of (a) the sale of all of the Shares subject to the Sales Agreement or (b) the termination of the Sales Agreement by Riley or the Company, as permitted therein. In May 2023, the Company filed with the SEC a "shelf" registration and sales agreement prospectus covering the Sales Agreement. A total of \$150 million of securities, including those covered by the Sales Agreement, may be sold under the shelf registration which was declared effective in July 2023. During the fourth quarter of the fiscal year ended July 31, 2023, the Company sold 276,479 shares for net proceeds of \$386. There was no activity during the three months ended October 31, 2023.

### *Incentive stock plans*

In January 2011, the Company's stockholders approved the adoption of the 2011 Incentive Plan (the "2011 Plan") for the issuance of equity awards, including, among others, options, restricted stock, restricted stock units and performance stock units for up to 3,000,000 shares of common stock. In January 2018, the Company's stockholders approved the amendment and restatement of the 2011 Plan (the "Amended and Restated 2011 Plan") to increase the number of shares of common stock available for grant under the 2011 Plan by 2,000,000 shares of common stock bringing the total number of shares available for grant to 5,000,000 shares of common stock. On October 7, 2020, the Company's Board of Directors approved the amendment and restatement of the Amended and Restated 2011 Plan, with an effective date of October 7, 2020 and subject to approval by the Company's stockholders at the 2020 annual meeting of stockholders of the Company. The amendment and restatement of the Amended and Restated 2011 Plan was for purposes of, among other things, (i) increasing the shares of common stock available for grant under the Amended and Restated 2011 Plan by an additional 4,000,000 shares of common stock bringing the total number of shares available for grant to 9,000,000 shares of common stock and (ii) extending the term of the Amended and Restated 2011 Plan until October 7, 2030. In January 2021, the Company's stockholders approved the amendment and restatement of the Amended and Restated 2011 Plan.



The exercise price of options granted under the Amended and Restated 2011 Plan, as amended and restated, is equal to or greater than fair market value of the common stock on the date of grant. The Amended and Restated 2011 Plan, as amended and restated, will terminate at the earliest of (a) such time as no shares of common stock remain available for issuance under the plan, (b) termination of the plan by the Company's Board of Directors, or (c) October 7, 2030. Awards outstanding upon expiration of the Amended and Restated 2011 Plan, as amended and restated, will remain in effect until they have been exercised or terminated, or have expired. As of October 31, 2023, there were approximately 4,623,000 shares of common stock available for grant under the Amended and Restated 2011 Plan, as amended and restated.

The Company estimates the fair value of each stock option award on the measurement date using a Black-Scholes option pricing model or the fair value of our stock at the date of grant. The fair value of awards is amortized to expense on a straight-line basis over the requisite service period. The Company expenses restricted stock awards based on vesting requirements, primarily time elapsed. Performance stock awards are not recognized until it is probable they will be earned. At such time, their expense is then recognized over the requisite service period, including that portion of the service period already elapsed. Options granted pursuant to the plans may be either incentive stock options or non-statutory options. The 2011 Plan provides for the issuance of stock options, restricted stock and restricted stock unit awards which generally vest over a two or three year period.

During the three months ended October 31, 2023, the Company recognized \$519 of share based compensation with respect to stock options and \$367 of share based compensation with respect to restricted stock units as a result of the termination of the former CEO during the quarter then ended. See Note 14.

The amounts of share-based compensation expense recognized in the periods presented are as follows:

	<b>Three months ended October 31,</b>	
	<b>2023</b>	<b>2022</b>
Stock options and performance stock units	\$ 646	180
Restricted stock units	429	186
	<u>\$ 1,075</u>	<u>366</u>

The following table sets forth the amount of expense related to share-based payment arrangements included in specific line items in the accompanying statements of operations:

	<b>Three months ended October 31,</b>	
	<b>2023</b>	<b>2022</b>
Selling, general and administrative	\$ 1,069	360
Cost of revenues	6	6
	<u>\$ 1,075</u>	<u>366</u>

No excess tax benefits were recognized during the three month periods ended October 31, 2023 and 2022.

The following table summarizes stock option activity during the three month period ended October 31, 2023:

	<u>Options</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Contractual Term</u>	<u>Aggregate Intrinsic Value (000s)</u>
Outstanding at July 31, 2023	3,829,500	\$ 2.61		—
Granted	—	—		
Exercised	—	—		\$
Cancelled or expired	(508,916)	\$ 1.58		
Outstanding at end of period	<u>3,320,584</u>	\$ 2.64	2.5 years	\$ —
Exercisable at end of period	<u>2,313,784</u>	\$ 2.83	1.9 years	\$ —

As of October 31, 2023, the total future compensation cost related to non-vested options, not yet recognized in the statements of operations, was \$839 and the weighted average period over which the remaining expense of these awards is expected to be recognized is approximately one and one half years. The intrinsic value of stock option awards represents the value of the Company's closing stock price on the last trading day of the period in excess of the exercise price multiplied by the number of options that are outstanding.

#### *Restricted Stock Units*

The following table summarizes RSU activity for the three months ended October 31, 2023:

	<u>Number of RSUs outstanding</u>	<u>Weighted Average Fair Value per Unit at Date of Grant</u>	<u>Weighted Average Remaining Contractual Term</u>	<u>Aggregate Intrinsic Value (000s)</u>
Outstanding at beginning of fiscal year	557,490	\$ 2.21	1.1 years	825
Granted	—	\$ —		—
Vested	(173,333)	\$ 3.39		
Cancelled	(100,000)	\$ 1.97		
Outstanding at end of period	<u>284,157</u>	\$ 1.75	0.4 years	\$ 381
Expected to vest at end of period	<u>284,157</u>	\$ 1.75	0.4 years	\$ 381

Certain directors had not exercised their vested RSU shares, totaling 144,530, as of July 31, 2023. These shares were issued during the three months ended October 31, 2023. During the three months ended October 31, 2023, 173,333 RSUs vested and 100,000 were cancelled as a result of the termination of the former CEO. The vested shares had not been issued as of October 31, 2023.

During the three months ended October 31, 2023 and 2022, the Company recognized shared based compensation expense for RSU's of \$429 and \$186, respectively. As of October 31, 2023, the total future compensation cost related to non-vested RSUs, not yet recognized in the statements of operations, was \$138 and the weighted average period over which the remaining expense of these awards is expected to be recognized is approximately one half years.

#### *Performance Stock Units*

During the three months ended October 31, 2023 and 2022, the Company recognized \$0 and \$66 of share based compensation for Performance Stock Units ("PSUs"). During the three months ended, one senior executive vested in 10,640 shares of stock which were not yet issued as of October 31, 2023. As of October 31, 2023 there were no PSUs outstanding.

**Note 12 - Segment reporting**

The Company has one reportable segment, Products, which develops, manufactures, and markets products to research and pharmaceutical customers. The Company evaluates segment performance based on segment income (loss) before taxes. Costs excluded from segment income (loss) before taxes and reported as “Corporate & Other” consist of corporate general and administrative costs which are not allocable to the Products segment.

Legal and related expenses incurred to defend the Company’s intellectual property, which may result in settlements recognized in another segment and other general corporate matters are considered a component of the Corporate & Other segment. Legal and related expenses specific to the Products’ segment’s activities are allocated to that segment.

Management of the Company assesses assets on a consolidated basis only and therefore, assets by reportable segment have not been included in the reportable segments below. The accounting policies of the reportable segment are the same as those described in the summary of significant accounting policies.

The following financial information represents the operating results of the reportable segments of the Company:

**Three months ended October 31, 2023**

	<b>Products</b>	<b>Corporate &amp; Other</b>	<b>Consolidated</b>
Revenues	\$ 7,806	—	\$ 7,806
Operating costs and expenses:			
Cost of revenues	4,351	—	4,351
Research and development	838	\$ 11	849
Selling, general and administrative	3,104	3,903	7,007
Legal and related expenses	30	1,045	1,075
Total operating costs and expenses	<u>8,323</u>	<u>4,959</u>	<u>13,282</u>
Operating loss	(517)	(4,959)	(5,476)
Other income (expense)			
Interest	34	943	977
Change in fair value of convertible debentures	—	(328)	(328)
Other	2	156	158
Foreign exchange loss	(1,006)	—	(1,006)
Loss before taxes	<u>\$ (1,487)</u>	<u>\$ (4,188)</u>	<u>\$ (5,675)</u>
Depreciation and amortization included above	<u>\$ 166</u>	<u>\$ 104</u>	<u>\$ 270</u>
Share-based compensation included above:			
Selling, general and administrative	22	1,047	1,069
Cost of sales	6	—	6
Total	<u>\$ 28</u>	<u>\$ 1,047</u>	<u>\$ 1,075</u>
Capital expenditures	<u>\$ 248</u>	<u>\$ 6</u>	<u>\$ 254</u>

Three months ended October 31, 2022

	Products	Corporate & Other	Consolidated
Revenues	\$ 7,103	—	\$ 7,103
Operating costs and expenses:			
Cost of revenues	4,589	—	4,589
Research and development	690	\$ 9	699
Selling, general and administrative	2,885	2,552	5,437
Legal and related expenses	25	982	1,007
Total operating costs and expenses	<u>8,189</u>	<u>3,543</u>	<u>11,732</u>
Operating loss	(1,086)	(3,543)	(4,629)
Other income (expense)			
Interest	25	47	72
Other	2	(2)	—
Foreign exchange loss	(797)	—	(797)
Loss before taxes	<u>\$ (1,856)</u>	<u>\$ (3,498)</u>	<u>\$ (5,354)</u>
Depreciation and amortization included above	<u>\$ 165</u>	<u>\$ 83</u>	<u>\$ 248</u>
Share-based compensation included above:			
Selling, general and administrative	20	340	360
Cost of sales	6	—	6
Total	<u>\$ 26</u>	<u>\$ 340</u>	<u>\$ 366</u>
Capital expenditures	<u>\$ 306</u>	<u>\$ 183</u>	<u>\$ 489</u>

**Note 13 – Contingencies**

In April 2023, the Company experienced a ransomware attack that impacted certain critical information technology systems. In response, we promptly deployed containment measures, including disconnecting our systems from the internet, launching an investigation with assistance from third-party cybersecurity experts, and notifying law enforcement. We adhered to our disaster recovery plan, which enabled us to maintain operations throughout the incident response process. We are in the process of evaluating the full scope of the costs and related impacts of this incident. The Company's facilities remained open, and we continued to provide services to patients and partners. We later became aware that certain data, including names, test information, and Social Security numbers, was accessed, and in some instances, exfiltrated from the Company's information technology systems as part of this incident. The investigation identified unauthorized access to or acquisition of clinical test information of approximately 2,470,000 individuals. The Social Security numbers of approximately 600,000 of these individuals may also have been involved. Additionally, the Company has determined that some employees' information may have been involved. The Company has provided notice to the individuals whose information may have been involved, as well as to regulatory authorities, in accordance with applicable law.

Enzo Biochem is currently subject to regulatory inquiry from the New York Attorney General, a joint inquiry from the Connecticut and New Jersey Attorneys General and an inquiry from the Utah Attorney General. All inquiries ask questions about the ransomware incident, as well as the corrective actions taken in response. It is not known at this time whether the Attorneys General will seek penalty against the Company. We are unable to evaluate the likelihood of an outcome, favorable or unfavorable, to the Company or to estimate the amount or range of any potential liability, if any, at this time.

There is also pending Class Action litigation:

***In re Enzo Biochem Data Breach Litigation, No. 2:23-cv-04282 (EDNY)***

In the Eastern District of New York twenty putative class actions have been consolidated alleging various harms stemming from the April 2023 data incident. Interim lead counsel has been appointed and filed a Consolidated Amended Complaint on November 13, 2023. The complaint seeks to certify a federal class as well as several state subclasses. The Consolidated Amended Complaint brings various statutory and common law claims including negligence, negligence *per se*, breach of fiduciary duty, breach of implied contract, breach of the implied covenant of good faith and fair dealing, violation of the New York's General Business Law § 349, Invasion of Privacy, violations of the Connecticut Unfair Trade Practices Act, violations of the New Jersey Consumer Fraud Act.

***Maria Sgambati et al., v. Enzo Biochem, Inc., et al., Index No. 619511/2023 (N.Y. Sup. Ct.)***

This is a putative class action pending in state court alleging various harms stemming from the April 2023 data incident. The complaint seeks to certify a class of New York residents. The complaint brings claims of negligence; negligence *per se*; breach of implied covenant and good faith and fair dealing; breach of duty; breach of implied contract; and violations of New York's Deceptive Acts and Practices § 349. This court granted our motion to stay the case pending the outcome of the federal action.

***Louis v. Enzo Biochem, Inc. et al., Index No. 653281/2023 (N.Y. Sup. Ct.)***

This is a putative class action pending in state court alleging various harms stemming from the April 2023 data incident. The complaint seeks to certify a class of New York citizens. The complaint brings claims of for negligence; negligence *per se*; breach of duty, breach of implied contract; breach of implied covenant of good faith and fair dealing; and violations of New York's Deceptive Acts and Practices § 349. We have filed a motion to stay this action pending the resolution of the Federal Action and the motion remains pending.

A provision was made in the financial statements as of July 31, 2023 for the above matters based on a reasonable estimate; however, the actual exposure may differ.

On or about March 2, 2023, a verified complaint was filed in the Supreme Court of the State of New York, New York County captioned Elazar Rabbani v. Mary Tagliaferri, et al., Index No. 651120/2023. The verified complaint purports to assert causes of action for breach of fiduciary duty and corporate waste under N.Y.B.C.L. § 720, and seeks an accounting and certain injunctive relief. Plaintiff served a copy of the verified complaint on Enzo's agent for service in New York on or about March 13, 2023. On August 4, 2023, defendants moved to dismiss all the causes of action asserted in the verified complaint. Plaintiff filed an amended complaint on or about October 4, 2023, adding, among other things, an additional cause of action for violation of N.Y.B.C.L. § 626. On October 23, 2023, Defendants filed a reply in further support of their motion to dismiss. On October 24, 2023, Plaintiff sought leave to file an opposition brief. Defendants filed an opposition to that request on October 26, 2023. On October 31, 2023, in response to a question from the Court's law clerk, Defendants reiterated that they had elected to apply their original motion to dismiss to the amended pleading. On November 6, 2023, Plaintiff filed an opposition to Defendants' motion to dismiss. On November 17, 2023, Defendants filed a reply brief in further support of their motion to dismiss the Amended Complaint. The Company cannot predict the outcome of this matter.

The Company has brought cases in the United States District Court for the District of Delaware ("the Court"), alleging patent infringement against various companies. In 2017, the Court ruled that the asserted claims of the '180 and '405 Patents are invalid for nonenablement in cases involving Abbott, Becton Dickinson, Gen-Probe, Hologic, and Roche. That ruling was affirmed by the United States Court of Appeals for the Federal Circuit ("Federal Circuit") in June 2019. Enzo subsequently filed a petition for certiorari regarding the invalidity ruling for the '180 and '405 Patents in February 2020; the Supreme Court denied Enzo's petition on March 30, 2020.

The Company, along with its subsidiary Enzo Life Sciences, Inc., resolved its claims against Roche regarding the '197 Patent before the Court (civil action No. 12 cv-00106) in July 2022. There is currently one case that was originally brought by the Company that is still pending in the Court. In that case, Enzo alleges patent infringement of the '197 patent against Becton Dickinson Defendants. The claims in that case are stayed.

In separate inter partes review proceedings before the U.S. Patent and Trademark Office (PTO) involving, among others, Becton Dickinson, certain claims of the '197 Patent were found unpatentable as anticipated or obvious and cancelled by the Patent Trial and Appeals Board ("Board"). Enzo appealed that decision to the Federal Circuit. On August 16, 2019, the Federal Circuit affirmed the Board's decision, finding that each of the challenged claims is unpatentable. The Company filed a petition for rehearing and rehearing en banc on October 30, 2019, which the Federal Circuit denied on December 4, 2019. The Company filed a petition for certiorari with the Supreme Court on March 3, 2020, which was denied.

In April 2019, the Company entered into an agreement with Hologic and Grifols, resolving litigation resulting from four cases originally brought by the Company in the Court. As a result, Enzo dismissed (1) a stayed patent litigation regarding the '180 and '197 Patent against Hologic in the Court; (2) the Consolidated Appeals against Gen-Probe and Hologic resulting from two cases filed in the Court, and (3) the Company's appeal in the litigation involving the '581 Patent that involved both Hologic and Grifols. As a result of the agreement with Hologic, Hologic withdrew from Enzo's Federal Circuit appeal of the Board's adverse rulings in the *inter partes* review proceedings regarding the '197 Patent filed by Hologic and joined by Becton Dickinson mentioned above.

On September 2, 2021, the PTO issued a non-final office action in an *ex parte* reexamination concerning the '197 Patent. In the office action, the PTO rejected certain claims of the '197 Patent under 35 U.S.C. §§ 102 and 103, and for nonstatutory double-patenting. Enzo responded to the office action on January 3, 2022, and the proceeding remains pending. Becton Dickinson requested another *ex parte* reexamination concerning the '197 patent on July 26, 2022. On September 16, 2022, the PTO ordered that *ex parte* reexamination as to certain claims of the '197 patent and has not yet issued an office action. Enzo filed a petition to terminate that second reexamination proceeding on November 16, 2022.

On or about September 26, 2023, James G. Wolf, Individually and as the Trustee of the Wolf Family Charitable Foundation, Barbaranne R. Wolf, Stephen Paul Wolf, and Preston M. Wolf initiated an appraisal action against Enzo Biochem, Inc. in the New York Supreme Court for Suffolk County. Petitioners seek an appraisal of the value of their shares in the Company. The amount of damages sought by the Petitioners is unspecified. The Company will defend itself vigorously in the appraisal action.

In our discontinued Clinical Labs operations, third-party payers, including government programs, may decide to deny payment or recoup payments for testing that they contend was improperly billed or not medically necessary, against their coverage determinations, or for which they believe they have otherwise overpaid (including as a result of their own error), and we may be required to refund payments that we received.

#### **Former executives arbitration**

The Company terminated the employment of Elazar Rabbani, Ph.D., the Company's former Chief Executive Officer, effective April 21, 2022. Dr. Rabbani remains a board director of the Company until the Annual Meeting on January 31, 2024. Dr. Rabbani was a party to an employment agreement with the Company that entitled him to certain termination benefits, including severance pay, acceleration of vesting of share-based compensation, and continuation of benefits. Based on the terms of his employment agreement, the Company estimated and accrued a charge of \$2,600 in fiscal year 2022 which is included in Selling, general and administrative expenses. The charge was partially offset by the reversal of bonus accruals. In May 2022, the Company paid Dr. Rabbani \$2,123 in severance (the payment constituted taxable income but the Company did not withhold taxes from the payment). In July 2022, the Company paid Dr. Rabbani's income and other withholding taxes of \$1,024 related to that payment on Dr. Rabbani's behalf, which was included in "prepaid expense and other current assets" as of July 31, 2022, as the payment is reimbursable from Dr. Rabbani. Dr. Rabbani disputed, among other things, the Company's decision to not award him a bonus for fiscal year 2021 and the amount of severance that was owed to him under his employment agreement. On July 8, 2022, the Company filed a demand for arbitration with the American Arbitration Association (the "AAA") seeking, among other things, a declaration that the Company has fully satisfied its contractual obligations to Dr. Rabbani and seeking the tax withholding reimbursement referenced above. On August 4, 2022, Dr. Rabbani filed counterclaims in the arbitration seeking, among other things, a bonus for fiscal year 2021 and additional severance that he asserted was owed to him. At the parties' joint request, the arbitration has been stayed while the parties work towards resolving the matter. A provision was made in the financial statements as of July 31, 2023 based on a reasonable estimate; however, the actual exposure may differ.

On February 25, 2022, Barry Weiner, the Company's co-founder and President, notified the Company that he was terminating his employment as President of the Company for "Good Reason" as defined in his employment agreement. The Company accepted Mr. Weiner's termination, effective April 19, 2022, but disagreed with Mr. Weiner's assertion regarding "Good Reason." On October 24, 2023, the Company and Mr. Weiner reached an agreement resolving the dispute and a provision was made in the financial statements as of July 31, 2023 based on the settlement agreement. The Company paid Mr. Weiner \$3,600, less applicable withholding taxes, related to the agreement in November 2023.

#### **Note 14 – Departure and Appointment of Certain Officers**

On September 5, 2023, the Company entered into a Separation Agreement and General Release (the "Separation Agreement") with Hamid Erfanian, the Company's Chief Executive Officer, which provides for Mr. Erfanian's separation of employment, resignations from his positions as Chief Executive Officer and as a director of the Company and the payment of severance benefits as described below. Pursuant to the Separation Agreement, Mr. Erfanian's resignations as Chief Executive Officer and as a director became effective immediately and his final date of employment with the Company was November 18, 2023 (the "Separation Date").

Pursuant to the Separation Agreement, Mr. Erfanian is entitled to the following severance benefits: (i) a payment equaling twelve (12) months of his annual base salary of \$624, subject to standard payroll deductions and withholdings; (ii) a lump-sum payment of \$187, representing his annual bonus; (iii) a grant of restricted shares of the Company's common stock, par value \$0.01 per share (the "Common Stock"), in an amount equal to \$1,502 with 50% of the restricted Common Stock granted as soon as reasonably practicable after September 13, 2023, and the remaining 50% granted on the earlier of July 24, 2024 or a Change in Control of the Company (as defined in Mr. Erfanian's employment agreement with the Company); and (iv) the immediate vesting on the Separation Date of the remainder of a restricted stock unit award of 260,000 shares of Common Stock and an option to purchase 700,000 shares of Common Stock that were previously granted to Mr. Erfanian upon his employment. The foregoing are subject to continued compliance with existing restrictive covenants under Mr. Erfanian's employment agreement with the Company and his reaffirmation.

The severance benefits with respect to salary and bonus were accrued during the three months ended October 31, 2023. The share-based charges related to the immediate vesting of the remainder of the restricted stock unit award and options granted upon employment were recognized during the three months ended October 31, 2023.

On September 5, 2023, the Company's board of directors appointed Kara Cannon, the Company's Chief Operating Officer, to serve as Interim Chief Executive Officer of the Company, which became effective immediately upon Mr. Erfanian's resignation as Chief Executive Officer.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes and other information included elsewhere in this Quarterly Report on Form 10-Q.

### **Forward-Looking Statements**

Our disclosure and analysis in this report, including but not limited to the information discussed in this Item 2, contain forward-looking information (within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended (the "Exchange Act")). All statements other than statements of historical fact included in this Quarterly Report on Form 10-Q, including statements regarding the Company's future financial condition, results of operations and products in research and development may include forward-looking statements. Forward-looking statements give our current expectations or forecasts of future events. You can identify these statements by the fact that they do not relate strictly to historic or current facts. They typically use words such as "anticipate", "estimate", "expect", "project", "intend", "plan", "believe", "will", and other words and terms of similar meaning in connection with any discussion of future operations or financial performance. All forward-looking statements are subject to important factors, risks, uncertainties, and assumptions, including industry and economic conditions, that could cause actual results to differ materially from those described in the forward-looking statements.

Forward-looking statements may include, without limitation, statements relating to future actions, prospective products or product approvals, future performance or results of current and anticipated products, sales efforts, expenses, interest rates, foreign currency rates, intellectual property matters, the outcome of contingencies, such as legal proceedings, and future financial results. We cannot guarantee that any forward-looking statement will be realized, although we believe we have been prudent in our plans and assumptions. Achievement of future results is subject to risks, uncertainties and inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from past results and those anticipated, estimated or projected. As a result, investors are cautioned not to place undue reliance on any of our forward-looking statements. Investors should bear this in mind as they consider forward-looking statements. We do not assume any obligation to update or revise any forward-looking statement that we make, even if new information becomes available or other events occur in the future. We are also affected by other factors that may be identified from time to time in our filings with the Securities and Exchange Commission, some of which are set forth in Item 1A - Risk Factors in our Form 10-K filing for the July 31, 2023 fiscal year. You are advised to consult any further disclosures we make on related subjects in our periodic reports on Forms 10-Q, 8-K and 10-K filed with the Securities and Exchange Commission. Although we have attempted to provide a list of important factors which may affect our business, investors are cautioned that other factors may prove to be important in the future and could affect our operating results.

You should understand that it is not possible to predict or identify all such factors or to assess the impact of each factor or combination of factors on our business. Consequently, you should not consider any such list to be a complete set of all potential risks or uncertainties.



## **Overview**

The Company's Enzo Life Sciences Products reporting unit, as described below, operates in our one reportable segment, Products, and is a global company affected by different US and global economic conditions. Our company evolved out of our core competence: the use of nucleic acids as informational molecules and the use of compounds for immune modulation. Costs excluded from this reporting unit and reported as "Corporate and Other" consist of corporate general and administrative costs which are not allocable to the reportable segment. Below is a brief description of this operating segment (see Note 12 in the Notes to Consolidated Financial Statements).

**Enzo Life Sciences Products** operates through the Company's wholly owned subsidiary, Enzo Life Sciences, Inc. ("Enzo Life Sciences"). It manufactures, develops and markets products and tools to life sciences, drug development and clinical research customers world-wide and has amassed a large patent and technology portfolio. Enzo Life Sciences is a recognized leader in labeling and detection technologies across research and diagnostic markets. Our strong portfolio of proteins, antibodies, peptides, small molecules, labeling probes, dyes and kits provides life science researchers tools for target identification/validation, high content analysis, gene expression analysis, nucleic acid detection, protein biochemistry and detection, and cellular analysis. It is globally recognized and acknowledged as a leader in manufacturing, in-licensing, and commercialization of over 20,000 products. The strategic focus of this segment is directed to innovative high quality research reagents and kits in the primary key research areas of genomics, immunohistochemistry, immunoassays, cellular analysis, and small molecule chemistry. The segment is an established source for a comprehensive panel of products to scientific experts in the fields of cancer, cardiovascular disease, neurological disorders, diabetes and obesity, endocrine disorders, infectious and autoimmune disease, hepatotoxicity and renal injury.

### *Discontinued operations – sale of Clinical Services business to Labcorp*

Effective July 24, 2023, pursuant to an Asset Purchase Agreement, dated March 16, 2023 (the "Asset Purchase Agreement"), we completed the sale of certain assets used in the operation of Enzo Clinical Labs and the assignment of certain clinical lab liabilities to Laboratory Corporation of America Holdings, a Delaware corporation ("Labcorp") for an aggregate purchase price of \$113.25 million in cash, subject to customary closing adjustments (such assets and liabilities, the "clinical services business"). In accordance with the sale, we ceased our clinical services operations. As a consequence of the sale, for the three months ended October 31, 2023 and 2022 we have classified as discontinued operations all income and expenses attributable to the clinical services business.

### *Discontinued Operations Carve Out and Expense Allocations*

As a consequence of the sale of the clinical services business, for the three months ended October 31, 2023 and 2022, results from operations for that business are classified as discontinued operations, as are its assets and liabilities as of October 31 and July 31, 2023. The carve out of the discontinued operations was prepared in accordance with the Securities and Exchange Commission's carve out rules under ASC 205-20 Discontinued Operations and is derived from identifying and carving out the specific assets, liabilities, operating expenses and interest expense associated with the clinical services business's operations. Certain administrative and overhead expenses, including personnel expenses, which were incurred by us (for which the discontinued operation benefited from such resources) are allocated out of the discontinued operations based upon the identification of those allocated expenses and to the continuing operations.

For the three months ended October 31, 2022, we allocated \$536 of selling, general and administrative expenses from the discontinued operations to the continuing operations in the accompanying results of operations tables and explanations.

### *Ransomware Attack*

In April 2023, the Company experienced a ransomware attack that impacted certain critical information technology systems. In response, we promptly deployed containment measures, including disconnecting our systems from the internet, launching an investigation with assistance from third-party cybersecurity experts, and notifying law enforcement. We adhered to our disaster recovery plan, which enabled us to maintain operations throughout the incident response process. The Company's facilities remained open, and we continued to provide services to patients and partners. We later became aware that certain data, including names, test information, and Social Security numbers, was accessed, and in some instances, exfiltrated from the Company's information technology systems as part of this incident. The investigation identified unauthorized access to or acquisition of clinical test information of approximately 2,470,000 individuals. The Social Security numbers of approximately 600,000 of these individuals may also have been involved. Additionally, the Company has determined that some employees' information may have been involved. The Company has provided notice to the individuals whose information may have been involved, as well as to regulatory authorities, in accordance with applicable law. The Company has incurred, and may continue to incur, related expenses. The Company's cybersecurity insurance carrier has indicated that it will cover up to \$3 million of the remediation costs related to this incident and pay all service providers directly from the policy.

The Company remains subject to risks and uncertainties as a result of the incident, including as a result of the data that was accessed or exfiltrated from the Company's network as noted above. Additionally, security and privacy incidents have led to, and may continue to lead to, additional regulatory scrutiny and class action litigation exposure. We are in the process of evaluating the full scope of the costs and related impacts of this incident. See Note 13 of the consolidated financial statements for litigation in connection with this incident.

**Results of Operations from Continuing Operations**  
**Three months ended October 31, 2023 compared to October 31, 2022**  
*(in \$000s)*

Comparative Financial Data from Continuing Operations for the three months ended October 31,

	<u>2023</u>	<u>2022</u>	<u>Favorable (Unfavorable)</u>	<u>% Change</u>
Revenues	\$ 7,806	\$ 7,103	\$ 703	10
<u>Operating costs and expenses:</u>				
Cost of revenues	4,351	4,589	238	5
Research and development	849	699	(150)	(21)
Selling, general and administrative	7,007	5,437	(1,570)	(29)
Legal and related expenses	1,075	1,007	(68)	(7)
Total operating costs and expenses	<u>13,282</u>	<u>11,732</u>	<u>(1,550)</u>	<u>(13)</u>
Operating loss	(5,476)	(4,629)	(847)	(18)
<u>Other income (expense):</u>				
Interest, net	977	72	905	**
Fair value adjustment	(328)	—	(328)	**
Other	158	—	158	**
Foreign exchange loss	(1,006)	(797)	(209)	(26)
Loss before income taxes	<u>\$ (5,675)</u>	<u>\$ (5,354)</u>	<u>\$ (321)</u>	<u>(6)</u>

\*\* not meaningful

**Consolidated Results:**

The “2023 period” and the “2022 period” refer to the three months ended October 31, 2023 and October 31, 2022, respectively.

Product revenues were \$7.8 million in the 2023 period and \$7.1 million in the 2022 period, an increase of approximately \$0.7 million or 10%. During the 2023 period, we experienced increases in revenues in the US and European markets, partially offset by a decrease in the Asia Pacific market.

The cost of Product revenues was \$4.4 million in the 2023 period and \$4.6 million in the 2022 period, a decrease of \$0.2 million or 5%. The gross profit margin for Products was approximately 44% in the 2023 period and 35% in the 2022 period. The 2023 period gross profit was positively impacted by a decrease in manufacturing headcount, other cost containment measures, and a more profitable mix of products sold. The 2022 period was negatively impacted by the impact of inflation on materials cost and market adjustment salary increases.

Research and development expenses were \$0.8 million in the 2023 period and \$0.7 million in the 2022 period, an increase of \$0.1 million or 21%, due to increased investment in research and development resources and materials consumed.

Selling, general and administrative expenses were \$7.0 million during the 2023 period versus \$5.4 million during the 2022 period, an increase of \$1.6 million or 29%. The Corporate and Other segment expense increased \$1.4 million during the 2023 period primarily due to severance provisions and accelerated recognition of share-based compensation related to a former senior officer of \$1.5 million. The Products segment expense in the 2023 period increased \$0.2 million compared to 2022 due to investments in sales and marketing.

Legal and related expenses were \$1.1 million during the 2023 period and \$1.0 million in the 2022 period, an increase of \$0.1 million or 7%. During both periods, we required significant legal expertise and assistance associated with the ransomware attack and matters related to two former senior executives' arbitration, one of which was settled during the 2023 period and one of which is ongoing.

Interest income, net was \$1.0 million in the 2023 period and \$0.1 million in the 2022 period, a favorable variance of \$0.9 million. The 2023 period's interest income is earned on the net proceeds from the Asset Purchase Agreement (as defined above), which are on deposit in a money market fund. We incur interest expense on 10% convertible debentures. In the 2022 period, we earned some interest in a money market fund and incurred interest expense primarily on a mortgage.

We recorded a fair value adjustment charge of approximately \$0.3 million for the 10% convertible debentures based on their fair value as of October 31, 2023.

Other income in the 2023 period of \$0.2 million is from the subletting of a portion of our office space.

The foreign exchange loss recognized by the Products segment during the 2023 period was \$1.0 million compared to \$0.8 million in the 2022 period, an unfavorable variance of \$0.2 million.

The 2023 period revaluation loss was due to the depreciation of the Swiss franc versus the Euro and British pound as of the end of the period compared to the start of the period. The revaluation loss in the 2022 period was due to the depreciation of the British pound and Swiss franc versus the U.S. dollar as of the end of that period compared to its start as a result of actions by the US Federal Reserve to raise interest rates.

### **Liquidity and Capital Resources**

Our aggregate cash and cash equivalents and restricted cash as of October 31 and July 31, 2023 was \$69.2 million and \$83.4 million, respectively. Our working capital was \$59.2 million and \$58.5 million as of October 31 and July 31, 2023, respectively. The decrease of \$14.2 million in our cash and cash equivalents and restricted cash balance as of October 31, 2023 was primarily due to the period net loss and by cash used to pay down accounts payable – trade and accrued liabilities including those of the discontinued operations.

Net cash used in operating activities during the 2023 period was \$13.4 million, compared to \$8.7 million during the 2022 period, an unfavorable variance of \$4.7 million, primarily due to the period loss and paydown of accounts payable – trade and accrued liabilities.

Net cash used in investing activities during the 2023 period was approximately \$0.3 million as compared to \$0.7 million in the 2022 period and represent capital expenditures.

Cash used in financing activities in the 2023 period amounted to \$0.5 million compared to \$0.1 million in the 2022 period, an increase of \$0.4 million, primarily for taxes on bonuses paid in stock.

The Company is a defendant in a number of legal matters, including class action lawsuits related to the ransomware attack of its information technology systems in April 2023. We face a significant risk due to ongoing litigation that has the potential to result in future financial obligations, adversely impacting the Company's business and profitability.

Management is not aware of any other trends, events or uncertainties that have or are reasonably likely to have a material negative impact upon our(i) short-term or long-term liquidity, or (ii) net sales or income from continuing operations. Our business is subject to seasonal variations thereby impacting our liquidity and working capital during the course of our fiscal year. To the extent that we do not generate sufficient cash from operations, our cash balances will decline. We may also use our cash to explore and/or acquire new product technologies, applications, product line extensions, or other new business opportunities. In the event that our available cash is insufficient to support such initiatives, we may need to incur indebtedness or issue Common Stock to finance plans for growth. Volatility in the credit markets and the liquidity of major financial institutions may have an adverse effect on our ability to fund our business strategy through borrowings, under either existing or newly created instruments in the public or private markets on terms that we believe to be reasonable, if at all.

### **Labcorp Asset Purchase Agreement**

We have indemnification obligations to Labcorp under the Asset Purchase Agreement that may require us to make future payments to Labcorp and other related persons for any damages incurred by Labcorp or such related persons as a result of any breaches of our representations, warranties, covenants or agreements contained in the Asset Purchase Agreement, or arising from the Retained Liabilities (as such term is defined in the Asset Purchase Agreement) or certain third-party claims specified in the Asset Purchase Agreement. Generally, our representations and warranties survive for a period of 15 months from the closing date, which was July 24, 2023, other than certain fundamental representations which survive until the expiration of the applicable statute of limitations. There is an indemnification cap with respect to a majority of the Company's indemnification obligations under the Asset Purchase Agreement with the exception of claims for actual fraud, the breach of any fundamental representations and certain other items, which are subject to a higher indemnification cap (up to the purchase price). Pursuant to the terms of the Asset Purchase Agreement, we, Labcorp, and an escrow agent entered into an Escrow Agreement at closing, pursuant to which Labcorp deposited \$5 million of the aggregate purchase price of the clinical service business into an escrow account established with the Escrow Agent in order to satisfy, in whole or in part, certain of our indemnity obligations, if any, that arise under the Asset Purchase Agreement. If, on the 15-month anniversary of the closing date, there are funds remaining in the escrow account, the Escrow Agent will release any funds remaining in the escrow account to us minus any amounts being reserved for escrow claims asserted by Labcorp prior to such date. Upon the resolution of any pending escrow claims, the Escrow Agent will, within two business days of receipt of joint instructions or a final order from a court (as described in the Escrow Agreement) disburse such reserved amount to the parties entitled to such funds. Through the date of this filing, no disbursements have been made out of the escrow funds.

### **Off Balance Sheet Arrangements**

The Company does not have any "off-balance sheet arrangements" as such term is defined in Item 303(a)(4) of Regulation S-K.

#### General and estimates

The Company's discussion and analysis of its financial condition and results of operations are based upon Enzo Biochem, Inc.'s consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates and judgments also affect related disclosure of contingent assets and liabilities.

On an on-going basis, we evaluate our estimates, including those related to contractual expense, allowance for uncollectible accounts, inventory, and income taxes. The Company bases its estimates on experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

#### Contingencies

Contingencies are evaluated and a liability is recorded when the matter is both probable and reasonably estimable. Gain contingencies are evaluated and not recognized until the gain is realizable or realized.

### Product revenues

Products revenues consist of the sale of single-use products used in the identification of genomic information and are recognized at a point in time following the transfer of control of such products to the customer, which generally occurs upon shipment. Payment terms for shipments to end-user and distributor customers may range from 30 to 90 days. Any claims for credit or return of goods may be made generally within 30 days of receipt. Revenues are reduced to reflect estimated credits and returns, although historically these adjustments have not been material. Taxes collected from customers relating to product sales and remitted to governmental authorities are excluded from revenue. Amounts billed to customers for shipping and handling are included in revenue, while the related shipping and handling costs are reflected in cost of products.

### Accounts Receivable

Accounts receivable are reported at realizable value, net of allowances for doubtful accounts, which is estimated and recorded in the period of the related revenue.

As of October 31 and July 31, 2023, Products accounts receivable, net were \$4,181 and \$4,808, respectively. As of October 31 and July 31, 2023, these totals include foreign receivables, net, of \$1,353 and \$1,277, respectively.

### Income Taxes

The Company accounts for income taxes under the liability method of accounting for income taxes. Under the liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. The liability method requires that any tax benefits recognized for net operating loss carry forwards and other items be reduced by a valuation allowance where it is not more likely than not the benefits will be realized in the foreseeable future. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under the liability method, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. It is the Company's policy to provide for uncertain tax positions, if any, and the related interest and penalties based upon management's assessment of whether a tax benefit is more likely than not to be sustained upon examination by tax authorities. To the extent the Company prevails in matters for which a liability for an unrecognized tax benefit is established or is required to pay amounts in excess of the liability, the Company's effective tax rate in a given financial statement period may be affected.

### Inventory

The Company values inventory at the lower of cost (first-in, first-out) or net realizable value. Work-in-process and finished goods inventories consist of material, labor, and manufacturing overhead. Write downs of inventories to net realizable value are based on a review of inventory quantities on hand and estimated sales forecasts based on sales history and anticipated future demand. Unanticipated changes in demand could have a significant impact on the value of our inventory and require additional write downs of inventory which would impact our results of operations.

### Long-Lived Assets

The Company reviews the recoverability of the carrying value of long-lived depreciable assets of an asset or asset group for impairment if indicators of potential impairment exist. Should indicators of impairment exist, the carrying values of the depreciable assets are evaluated in relation to the operating performance and future undiscounted cash flows of an asset or asset group. The net book value of the depreciable long lived asset is adjusted to fair value if its expected future undiscounted cash flow is less than its book value.

During the three months ended October 31, 2023 and 2022 there was no impairment of depreciable long-lived assets used in continuing operations.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a smaller reporting company, we are not required to provide the information required by this Item.

### Item 4. Controls and Procedures

#### *Evaluation of Disclosure Controls and Procedures*

As of the end of the period covered by this report, the Company's management conducted an evaluation (as required under Rules 13a-15(b) and 15d-15(b) under the Exchange Act of the Company's "disclosure controls and procedures" (as such term is defined under the Exchange Act), under the supervision and with the participation of each of our principal executive officer and principal financial officer. Based on this evaluation, as a result of the material weakness identified below, the principal executive officer and the principal financial officer concluded that the Company's disclosure controls and procedures were not effective as of the end of the period covered by this report.

As previously disclosed on Current Reports on Form 8-K dated April 13, 2023, and May 30, 2023, respectively, the Company experienced a ransomware attack that impacted certain critical information technology systems. In response, the Company promptly deployed containment measures, including disconnecting its systems from the internet, launching an investigation with assistance from third-party cybersecurity experts, and notifying law enforcement. The Company adhered to its disaster recovery plan, which enabled it to substantially maintain operations throughout the incident response process.

As a result of the ransomware attack and the subsequent investigation, the Company determined a material weakness existed that impaired the Company's ability to ensure that standard systems and accounting processes could operate effectively. As a result, a reasonable possibility exists that a material misstatement of the Company's annual or interim financial statements would not be prevented or detected and corrected in a timely manner. The following is a description of the material weakness identified:

#### Control Environment, Risk Assessment, Information and Communication, and Control Activities

We did not maintain effective internal control related to our control environment, risk assessment, information and communication, and control activities:

- In April 2023, we became aware that we were exposed to a ransomware attack in our Information Technology environment which interrupted systems and affected operations. The effect of these circumstances significantly impacted the following:
  - our ability to access and reinstate our financial systems for an extended period to a new normal state of operation;
  - the need to rebuild our financial information from backups as a result of the ransomware incident;
  - additional workload associated with process workflows that were previously automated but were manually performed as a result of the ransomware attack.
- We were required to supplement resources and as a result, did not adequately perform in a timely manner the following:
  - assessment, redesign and timely evaluation of performance of controls over financial reporting risks as a result of existing IT circumstances; and
  - generate real time information across the organization to allow the finance department to perform timely application of controls; and
  - Internal controls over financial reporting related to the recording and processing of revenue transactions could not be completed timely using standard methods due to the limitations of access to data.

Management began remediation measures during and after the April 30, 2023 period end which were substantially implemented by July 31, 2023. During the first quarter of the fiscal year ending July 31, 2024, evaluation of certain controls' effectiveness could not be performed according to the typical frequency or sufficient evidence of control performance was not available for testing due to the cyber incident.

#### *Changes in Internal Control Over Financial Reporting*

Management assessed the effectiveness of our internal control over financial reporting as of October 31, 2023. In making this assessment, management used the criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this assessment, management has concluded that, as of October 31, 2023, our internal control over financial reporting was not effective because the first quarter included timeframes during which specific data was not available for testing.

## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings

There have been no other material developments with respect to previously reported legal proceedings discussed in the annual report on Form 10-K, as amended for the fiscal year ended July 31, 2023 filed with the Securities and Exchange Commission, other than as noted in Note 13 to the Consolidated Financial Statements as of October 31, 2023.

### Item 1A. Risk Factors

There have been no material changes from the risk factors disclosed in Part 1, Item 1A of the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 2023.

### Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities

None.

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Mine Safety Disclosures

Not applicable.

### Item 5. Other Information

None.

### Item 6. Exhibits

<u>Exhibit No.</u>	<u>Exhibit</u>
31.1	<a href="#">Certification of Kara Cannon pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2	<a href="#">Certification of Patricia Eckert pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1	<a href="#">Certification of Kara Cannon pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2	<a href="#">Certification of Kara Cannon pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS*	Inline XBRL Instance Document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

\* XBRL (Extensible Business Reporting Language) information is being furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.



**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 thereunto duly authorized.

**ENZO BIOCHEM, INC.**  
(Registrant)

Date: December 15, 2023

by: /s/ Patricia Eckert  
Interim Chief Financial Officer and  
Principal Accounting Officer

**CERTIFICATION PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Kara Cannon, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Enzo Biochem, Inc. (the “registrant”).
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a – 15(e) and 15d – 15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: December 15, 2023

By: /s/ Kara Cannon  
Kara Cannon  
Interim Chief Executive Officer

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**CERTIFICATION PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Patricia Eckert, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Enzo Biochem, Inc. (the “registrant”).
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a – 15(e) and 15d – 15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: December 15, 2023

By: /s/ Patricia Eckert  
Patricia Eckert  
Interim Chief Financial Officer and Principal Accounting  
Officer

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**CERTIFICATION PURSUANT TO  
TITLE 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Enzo Biochem, Inc., and Subsidiaries (“the Company”) on Form 10-Q for the period ended October 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Kara Cannon, Interim Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: December 15, 2023

By: /s/ Kara Cannon  
Kara Cannon  
Interim Chief Executive Officer

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**CERTIFICATION PURSUANT TO  
TITLE 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Enzo Biochem, Inc., and Subsidiaries (“the Company”) on Form 10-Q for the period ended October 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Patricia Eckert, Interim Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: December 15, 2023

By: /s/ Patricia Eckert  
Patricia Eckert  
Interim Chief Financial Officer and Principal Accounting  
Officer

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