

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

March 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 1-7928**

**BIO-RAD LABORATORIES, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

**94-1381833**

(State or other jurisdiction of incorporation or organization)

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

**1000 Alfred Nobel Drive, Hercules, California**

**94547**

(Address of principal executive offices)

(Zip Code)

**(510) 724-7000**

(Registrant's telephone number, including area code)

**No Change**

(Former name, former address and former fiscal year, if changed since last report.)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, Par Value \$0.0001 per share	BIO	New York Stock Exchange
Class B Common Stock, Par Value \$0.0001 per share	BIOb	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 was 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 pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit 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. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer



Non-accelerated filer



Accelerated filer



Smaller reporting company



Emerging growth company



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

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

Yes ☐

No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Shares Outstanding at April 28, 2023:

Class A - 24,536,303

Class B - 5,072,933

BIO-RAD LABORATORIES, INC.

FORM 10-Q MARCH 31, 2023

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## INFORMATION RELATING TO FORWARD-LOOKING STATEMENTS

Other than statements of historical fact, statements made in this report include forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, without limitation, statements we make regarding our future financial performance, operating results, plans and objectives. Forward-looking statements generally can be identified by the use of forward-looking terminology, such as “believe,” “expect,” “anticipate,” “may,” “will,” “intend,” “estimate,” “continue,” or similar expressions or the negative of those terms or expressions. Such statements involve risks and uncertainties, which could cause actual results to vary materially from those expressed in or indicated by the forward-looking statements. We have based these forward-looking statements on our current expectations and projections about future events. However, actual results may differ materially from those currently anticipated depending on a variety of risk factors including, but not limited to, the impact of the COVID-19 pandemic, supply chain issues, global economic conditions, our ability to develop and market new or improved products, our ability to compete effectively, foreign currency exchange fluctuations, reductions in government funding or capital spending of our customers, international legal and regulatory risks, product quality and liability issues, our ability to integrate acquired companies, products or technologies into our company successfully, changes in the healthcare industry, natural disasters and other catastrophic events beyond our control, and other risks and uncertainties identified under “Part II, Item 1A, Risk Factors” of this Quarterly Report on Form 10-Q. We caution you not to place undue reliance on forward-looking statements, which reflect an analysis only and speak only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law.

PART I – FINANCIAL INFORMATION

Item 1. [Financial Statements](#)

BIO-RAD LABORATORIES, INC.  
Condensed Consolidated Balance Sheets  
(In thousands, except share data)

	March 31, 2023	December 31, 2022
	(Unaudited)	
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 464,136	\$ 434,215
Short-term investments	1,387,317	1,356,457
Restricted investments	5,560	5,560
Accounts receivable, less allowance for credit losses of \$15,213 as of March 31, 2023 and \$15,029 as of December 31, 2022	498,273	494,645
Inventory	752,937	719,316
Prepaid expenses	120,838	124,179
Other current assets	48,191	23,604
Total current assets	3,277,252	3,157,976
Property, plant and equipment	1,543,984	1,508,020
Less: accumulated depreciation and amortization	(1,037,530)	(1,009,408)
Property, plant and equipment, net	506,454	498,612
Operating lease right-of-use assets	174,096	180,952
Goodwill, net	407,757	406,488
Purchased intangibles, net	327,828	332,147
Other investments	8,878,514	8,830,892
Other assets	95,513	94,599
Total assets	\$ 13,667,414	\$ 13,501,666

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

BIO-RAD LABORATORIES, INC.  
Condensed Consolidated Balance Sheets  
(continued)  
(In thousands, except share data)

	March 31, 2023	December 31, 2022
<b>LIABILITIES AND STOCKHOLDERS' EQUITY:</b>	<b>(Unaudited)</b>	
Accounts payable	\$ 160,979	\$ 135,041
Accrued payroll and employee benefits	173,913	194,790
Current maturities of long-term debt and notes payable	519	465
Income and other taxes payable	50,867	32,428
Current operating lease liabilities	36,149	36,336
Other current liabilities	167,196	169,648
Total current liabilities	589,623	568,708
Long-term debt, net of current maturities	1,198,005	1,197,716
Deferred income taxes	1,769,781	1,770,481
Operating lease liabilities	147,040	153,597
Other long-term liabilities	199,249	195,912
Total liabilities	3,903,698	3,886,414
<b>Stockholders' equity:</b>		
Class A common stock, shares issued 25,162,073 and 25,162,075 as of March 31, 2023 and December 31, 2022, respectively; shares outstanding 24,534,434 and 24,521,583 as of March 31, 2023 and December 31, 2022, respectively	2	2
Class B common stock, shares issued and outstanding, 5,074,130 as of March 31, 2023 and 5,074,130 as of December 31, 2022, respectively	1	1
Additional paid-in capital	463,402	447,454
Class A treasury stock at cost, 627,639 and 640,492 shares as of March 31, 2023 and December 31, 2022, respectively	(258,296)	(263,586)
Retained earnings	9,966,959	9,898,203
Accumulated other comprehensive income (loss)	(408,352)	(466,822)
Total stockholders' equity	9,763,716	9,615,252
Total liabilities and stockholders' equity	\$ 13,667,414	\$ 13,501,666

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

BIO-RAD LABORATORIES, INC.  
Condensed Consolidated Statements of Income (Loss)  
(In thousands, except per share data)  
(Unaudited)

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Net sales	\$ 676,844	\$ 700,062
Cost of goods sold	314,427	297,427
Gross profit	362,417	402,635
Selling, general and administrative expense	225,553	196,692
Research and development expense	74,951	59,535
Income from operations	61,913	146,408
Interest expense	12,337	4,048
Foreign currency exchange gains, net	(2,347)	(2,128)
Losses from change in fair market value of equity securities and loan receivable	17,525	4,545,117
Other income, net	(50,431)	(32,597)
Income (loss) before income taxes	84,829	(4,368,032)
(Provision for) benefit from income taxes	(15,867)	1,000,685
Net income (loss)	<u>\$ 68,962</u>	<u>\$ (3,367,347)</u>
Basic earnings (loss) per share:		
Net income (loss) per basic share	<u>\$ 2.33</u>	<u>\$ (112.50)</u>
Weighted average common shares - basic	<u>29,596</u>	<u>29,933</u>
Diluted earnings (loss) per share:		
Net income (loss) per diluted share	<u>\$ 2.32</u>	<u>\$ (112.50)</u>
Weighted average common shares - diluted	<u>29,747</u>	<u>29,933</u>

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

BIO-RAD LABORATORIES, INC.  
Condensed Consolidated Statements of Comprehensive Income (Loss)  
(In thousands)  
(Unaudited)

	Three Months Ended March 31,	
	2023	2022
Net income (loss)	\$ 68,962	\$ (3,367,347)
Other comprehensive income (loss):		
Foreign currency translation adjustments, net of income taxes	55,219	(128,598)
Foreign other post-employment benefits adjustments, net of income taxes	33	325
Net unrealized holding gain (loss) on available-for-sale debt investments, net of income taxes	3,218	(4,030)
Other comprehensive income (loss), net of income taxes	58,470	(132,303)
Comprehensive income (loss)	<u>\$ 127,432</u>	<u>\$ (3,499,650)</u>

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

BIO-RAD LABORATORIES, INC.  
Condensed Consolidated Statements of Cash Flows  
(In thousands, unaudited)

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Cash flows from operating activities:		
Cash received from customers	\$ 677,522	\$ 649,993
Cash paid to suppliers and employees	(552,990)	(615,630)
Interest paid, net	(22,482)	(306)
Income tax payments, net	(13,283)	(14,324)
Dividend proceeds and miscellaneous receipts, net	14,662	20,680
Proceeds from (payments for) forward foreign exchange contracts, net	(5,310)	10,081
Net cash provided by operating activities	<u>98,119</u>	<u>50,494</u>
Cash flows from investing activities:		
Payments for purchases of property, plant and equipment	(35,725)	(33,078)
Payments for purchases of marketable securities and investments	(203,588)	(960,940)
Proceeds from sales of marketable securities and investments	92,751	32,096
Proceeds from maturities of marketable securities and investments	76,089	45,781
Net cash used in investing activities	<u>(70,473)</u>	<u>(916,141)</u>
Cash flows from financing activities:		
Proceeds from issuance of Notes, net of debt financing costs	—	1,186,220
Payments on long-term borrowings	(115)	(104)
Proceeds from issuance of common stock and from reissuance of treasury stock under the employee stock purchase plan and upon exercise of stock options	4,424	4,177
Net cash provided by financing activities	<u>4,309</u>	<u>1,190,293</u>
Effect of foreign exchange rate changes on cash	<u>(1,996)</u>	<u>6,877</u>
Net increase in cash, cash equivalents and restricted cash	29,959	331,523
Cash, cash equivalents and restricted cash at beginning of period	434,544	471,133
Cash, cash equivalents and restricted cash at end of period	<u>\$ 464,503</u>	<u>\$ 802,656</u>

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the condensed consolidated balance sheets that agrees to the same amounts shown in the condensed consolidated statements of cash flows (in thousands):

	<b>March 31, 2023</b>	<b>March 31, 2022</b>
Cash and cash equivalents	\$ 464,136	\$ 802,316
Restricted cash included in Other current assets	47	14
Restricted cash included in Other assets	320	326
Total cash, cash equivalents and restricted cash shown in the condensed consolidated statements of cash flows	<u>\$ 464,503</u>	<u>\$ 802,656</u>

These restricted cash items are primarily related to performance guarantees and other restricted deposits.

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



BIO-RAD LABORATORIES, INC.  
Condensed Consolidated Statements of Changes in Stockholders' Equity  
(In thousands)  
(Unaudited)

	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
<b>Balance at December 31, 2022</b>	\$ 3	\$ 447,454	\$ (263,586)	\$ 9,898,203	\$ (466,822)	\$ 9,615,252
Net Income	—	—	—	68,962	—	68,962
Other comprehensive income, net of tax	—	—	—	—	58,470	58,470
Stock compensation expense	—	16,608	—	—	—	16,608
Issuance of treasury stock	—	(660)	5,290	(206)	—	4,424
<b>Balance at March 31, 2023</b>	\$ 3	\$ 463,402	\$ (258,296)	\$ 9,966,959	\$ (408,352)	\$ 9,763,716

	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
<b>Balance at December 31, 2021</b>	\$ 3	\$ 441,733	\$ (106,290)	\$ 13,525,343	\$ (175,553)	\$ 13,685,236
Net income	—	—	—	(3,367,347)	—	(3,367,347)
Other comprehensive loss, net of tax	—	—	—	—	(132,303)	(132,303)
Issuance of common stock	—	4,177	—	—	—	4,177
Stock compensation expense	—	13,521	—	—	—	13,521
<b>Balance at March 31, 2022</b>	\$ 3	\$ 459,431	\$ (106,290)	\$ 10,157,996	\$ (307,856)	\$ 10,203,284

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

## BIO-RAD LABORATORIES, INC

### Notes to Condensed Consolidated Financial Statements (Unaudited)

#### **1. BASIS OF PRESENTATION AND USE OF ESTIMATES**

##### **Basis of Presentation**

In this report, “Bio-Rad,” “we,” “us,” “the Company” and “our” refer to Bio-Rad Laboratories, Inc. and its subsidiaries. The accompanying unaudited condensed consolidated financial statements of Bio-Rad have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and reflect all adjustments which are, in the opinion of management, necessary to fairly state the results of the interim periods presented. All such adjustments are of a normal recurring nature. Results for the interim period are not necessarily indicative of the results for the entire year. The condensed consolidated balance sheet at December 31, 2022 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by GAAP for complete financial statements. The condensed consolidated financial statements should be read in conjunction with the notes to the consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2022.

We evaluate subsequent events and the evidence they provide about conditions existing at the date of the balance sheet as well as conditions that arose after the balance sheet date but through the date the financial statements are issued. The effects of conditions that existed at the balance sheet date are recognized in the financial statements. Events and conditions arising after the balance sheet date but before the financial statements are issued are evaluated to determine if disclosure is required to keep the financial statements from being misleading. To the extent such events and conditions exist, disclosures are made regarding the nature of events and the estimated financial effects of those events and conditions.

##### **Use of Estimates**

The preparation of the condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting periods. Bio-Rad bases its estimates on historical experience and on various other market-specific and other relevant 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. Such estimates include, but are not limited to, revenue recognition, the valuation of inventory, the valuation of intangible assets, valuation of accounts receivable, estimation of warranty reserve, the recognition and measurement of current and deferred income tax assets and fair value measurement of the Loan receivable. Actual results could differ materially from those estimates.

##### **Revenue Recognition**

We recognize revenue from operations through the sale of products, services, license of intellectual property and rental of instruments. Revenue from contracts with customers is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration we expect to receive in exchange for those products or services. Revenue is recognized net of any taxes collected from customers (sales tax, value added tax, etc.), which are subsequently remitted to government authorities.

We enter into contracts that can include various combinations of products and services, which are generally accounted for as distinct performance obligations. A product or service is considered distinct if it is separately identifiable from other deliverables in the arrangement and if a customer can benefit from such product or service on its own or with other resources that are readily available to the customer. The transaction consideration is

allocated between separate performance obligations of an arrangement based on the stand-alone selling price (“SSP”) for each distinct product or service.

We recognize revenue from product sales at the point in time when we have satisfied our performance obligation by transferring control of the product to the customer. We use judgment to evaluate whether and when control has transferred and consider the right to payment, legal title, physical possession, risks and rewards of ownership, and customer acceptance if it is not a formality, as indicators to determine the transfer of control to the customer. For products that include installation, the product and installation are separate performance obligations. The product revenue is recognized when control has transferred to the customer, generally upon delivery, and installation service revenue is recognized when the product installation is completed.

At the time revenue is recognized, a provision is recorded for estimated product returns as this right is considered variable consideration. Accordingly, when product revenues are recognized, the transaction price is reduced by the estimated amount of product returns.

Service revenues on extended warranty contracts are recognized ratably over the life of the service agreement as a stand-ready performance obligation. For arrangements that include a combination of products and services, the transaction price is allocated to each performance obligation based on stand-alone selling prices. The method used to determine the stand-alone selling prices for product and service revenues is based on the observable prices when the product or services have been sold separately.

We recognize revenues for a functional license of intellectual property at a point in time when the control of the license and technology transfers to the customer. For license agreements that include sales or usage-based royalty payments to us, we recognize revenue at the later of (i) when the related sale of the product occurs, or (ii) when the performance obligation to which some or all of the royalty has been allocated has been satisfied, or partially satisfied.

The primary purpose of our invoicing terms is to provide customers with simple and predictable methods of purchasing our products and services, not to either provide or receive financing to or from our customers. We record contract liabilities when cash payments are received or due in advance of our performance.

We do not disclose the value of unsatisfied performance obligations for contracts with an original expected length of one year or less. Our payment terms vary by the type and location of our customer, and the products and services offered. The term between invoicing and when payment is due is not significant.

#### *Reagent Rental Agreements*

Our reagent rental agreements provide our customers the ability to use an instrument and consumables (reagents) on a per test basis. These agreements may also include maintenance of the instruments placed at customer locations as well as initial training. We initially determine if a reagent rental arrangement contains a lease at contract commencement. Where we have determined that such an arrangement contains a lease, we then determine the lease classification as operating or sales-type lease. The lease term used in performing the lease classification test, includes the noncancellable period of the lease together with those periods covered by lease extension options if the customer is reasonably certain to exercise that option, the periods covered by lease termination options if the customer is reasonably certain to not exercise that option, and the periods covered by the option to extend (or to not terminate) the lease when exercise of such option is controlled by the Company. The assessment of the lease term for reagent rental agreements, including the impact from any associated contractual termination penalties, is subject to an estimation process. While most of our reagent rental arrangements contain either the option for a lessee to extend and/or cancel the agreement, the period in which the contract is enforceable is very short so the lease term has been limited to the noncancellable period. Generally, these arrangements do not contain an option for the lessee to purchase the underlying asset.

We concluded that the use of the instrument (referred to as “lease elements”) in our reagent rental agreements is not governed by the revenue recognition guidance of ASC 606 but instead is addressed by the lease guidance in ASC 842. Accordingly, we first allocate the transaction price between the lease elements and the non-lease elements based on relative standalone selling prices. The determination of the transaction price requires judgment and consideration of any fixed/minimum payments as well as estimates of variable consideration. After we have allocated the transaction price to the lease and non-lease elements, the amount of variable payments allocated to such elements are recognized as income in accordance with ASC 842 or ASC 606, as applicable.

Maintenance services, along with the reagents, are allocated to the non-lease elements and recognized as income over time as control is transferred. Maintenance services are recognized ratably over the period whereas reagents revenue is recognized upon transfer of control when either (i) the consumables are delivered or (ii) the consumables are consumed by the customer.

Our reagent rental arrangements are predominantly comprised of variable lease payments that fluctuate depending on the volume of reagents purchased, as such arrangements generally do not contain any fixed or minimum lease payments. Our reagent rental arrangements are predominantly classified as operating leases and any sales-type leases have historically been immaterial and we do not enter into direct finance leases. Revenue attributed to the lease elements of our reagent rental arrangements represented approximately 3% and 2% of total revenue for the three months ended March 31, 2023 and March 31, 2022, respectively. Such revenue forms part of the Net sales in our condensed consolidated statements of income (loss).

*Contract costs:*

As a practical expedient, we expense as incurred costs to obtain contracts as the amortization period would have been one year or less. These costs include our internal sales force and certain partner sales incentive programs and are recorded within Selling, general and administrative expense in our condensed consolidated statements of income (loss).

*Disaggregation of Revenue:*

The following table presents our revenues disaggregated by geographic region (in millions):

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
United States	297.0	282.5
EMEA	204.8	218.9
APAC	135.8	160.9
Other (primarily Canada and Latin America)	39.2	37.8
Total net sales	<u>\$ 676.8</u>	<u>\$ 700.1</u>

The disaggregation of our revenue by geographic region is based primarily on the location of the use of the product or service, and by industry segment sources. The disaggregation of our revenues by industry segment sources are presented in our Segment Information footnote (see Note 12).

Deferred revenues primarily represent unrecognized fees billed or collected for extended service arrangements, including installation services. The deferred revenue balance at March 31, 2023 and December 31, 2022 was \$75.3

million and \$71.9 million, respectively. The short-term deferred revenue balance at March 31, 2023 and December 31, 2022 was \$56.9 million and \$52.2 million, respectively.

We warrant certain equipment against defects in design, materials and workmanship, generally for a period of one year. We estimate the cost of warranties at the time the related revenue is recognized based on historical experience, specific warranty terms and customer feedback. These costs are recorded within Cost of goods sold in our condensed consolidated statements of income (loss).

Warranty liabilities are included in Other current liabilities and Other long-term liabilities in the condensed consolidated balance sheets. Change in our warranty liability for three months ended March 31, 2023 and 2022 were as follows (in millions):

	Three Months Ended March 31,	
	2023	2022
Balance at beginning of period	\$ 10.6	\$ 12.7
Provision for warranty	2.0	2.2
Actual warranty costs	(2.7)	(2.7)
Balance at end of period	\$ 9.9	\$ 12.2

## Accounts Receivable and Allowance for Credit Losses

We record trade accounts receivable at the net invoice value and such receivables are non-interest bearing. We consider receivables past due based on the contractual payment terms. Amounts later determined and specifically identified to be uncollectible are charged or written off against the allowance for credit losses.

Any adjustments made to our historical loss experience reflect current differences in asset-specific risk characteristics, including, for example, accounts receivable by customer type (public or government entity versus private entity) and by geographic location of customer.

Changes in our allowance for credit losses were as follows (in millions):

	Three Months Ended March 31,	
	2023	2022
Balance at beginning of period	\$ 15.0	\$ 15.1
Provision for expected credit losses	0.5	(1.8)
Write-offs charged against the allowance	(0.4)	(0.5)
Recoveries collected	0.1	0.1
Balance at end of period	\$ 15.2	\$ 12.9

## Recent Accounting Pronouncements Issued and to be Adopted

There are no new accounting pronouncements recently issued or newly effective that had, or are expected to have, a material impact on the Company's condensed consolidated financial statements.

## 2. ACQUISITIONS

### *Curiosity Diagnostics Acquisition:*

As previously disclosed in Footnote 2 in our Annual Report on Form 10-K for the year ended December 31, 2022, on August 3, 2022, we acquired all equity interests of Curiosity Diagnostics, sp.z o.o. for a total consideration of \$137.1 million, including the estimated fair value of contingent consideration. The contingent consideration of up to

\$70.0 million is payable upon achievement of certain technological development and sales-related milestones. No conditions triggering payment of the contingent consideration were met as of March 31, 2023.

We finalized the purchase price allocation as of March 31, 2023. The final allocation of the payments reflects the effects of a deferred tax adjustment made during the measurement period. The adjustment resulted in a \$0.4 million increase in goodwill and a \$0.4 million increase in deferred tax liabilities compared to the preliminary balances reported at December 31, 2022 and had no impact on our condensed consolidated statements of income (loss) for the three months ended March 31, 2023.

### **3. FAIR VALUE MEASUREMENTS**

We determine the fair value of an asset or liability based on the assumptions that market participants would use in pricing the asset or liability in an orderly transaction between market participants at the measurement date. The identification of market participant assumptions provides a basis for determining what inputs are to be used for pricing each asset or liability. A fair value hierarchy has been established which gives precedence to fair value measurements calculated using observable inputs over those using unobservable inputs. This hierarchy prioritizes the inputs into three broad levels as follows:

- Level 1: Quoted prices in active markets for identical instruments
- Level 2: Other significant observable inputs (including quoted prices in active markets for similar instruments)
- Level 3: Significant unobservable inputs (including assumptions in determining the fair value of certain investments)

Financial assets and liabilities carried at fair value and measured on a recurring basis as of March 31, 2023 are classified in the hierarchy as follows (in millions):

	Level 1	Level 2	Level 3	Total
Financial assets carried at fair value:				
Cash equivalents:				
Commercial paper	\$ —	\$ 1.5	\$ —	\$ 1.5
Time deposits	—	44.0	—	44.0
Asset-backed securities	—	3.1	—	3.1
U.S. government sponsored agencies	—	20.7	—	20.7
Money market funds	35.9	—	—	35.9
Total cash equivalents (a)	35.9	69.3	—	105.2
Restricted investments (b)	7.0	—	—	7.0
Equity securities (c)	8,571.6	—	—	8,571.6
Loan under the fair value option (d)	—	—	324.5	324.5
Available-for-sale investments:				
Corporate debt securities	—	674.2	—	674.2
U.S. government sponsored agencies	—	293.7	—	293.7
Foreign government obligations	—	13.6	—	13.6
Municipal obligations	—	18.0	—	18.0
Asset-backed securities	—	328.1	—	328.1
Total available-for-sale investments (e)	—	1,327.6	—	1,327.6
Forward foreign exchange contracts (f)	—	1.4	—	1.4
Total financial assets carried at fair value	\$ 8,614.5	\$ 1,398.3	\$ 324.5	\$ 10,337.3
Financial liabilities carried at fair value:				
Forward foreign exchange contracts (g)	\$ —	\$ 1.1	\$ —	\$ 1.1
Contingent consideration (h)	—	—	36.4	36.4
Total financial liabilities carried at fair value	\$ —	\$ 1.1	\$ 36.4	\$ 37.5

Financial assets and liabilities carried at fair value and measured on a recurring basis as of December 31, 2022 are classified in the hierarchy as follows (in millions):

	Level 1	Level 2	Level 3	Total
Financial assets carried at fair value:				
Cash equivalents:				
Commercial paper	\$ —	\$ 21.1	\$ —	\$ 21.1
Time deposits	5.7	—	—	5.7
Asset-backed securities	—	1.4	—	1.4
U.S. government sponsored agencies	—	6.0	—	6.0
Money market funds	31.5	—	—	31.5
Total cash equivalents (a)	37.2	28.5	—	65.7
Restricted investments (b)	6.8	—	—	6.8
Equity securities (c)	8,530.4	—	—	8,530.4
Loan under the fair value option (d)	—	—	322.6	322.6
Available-for-sale investments:				
Corporate debt securities	—	699.3	—	699.3
U.S. government sponsored agencies	—	230.7	—	230.7
Foreign government obligations	—	13.5	—	13.5
Municipal obligations	—	23.1	—	23.1
Asset-backed securities	—	333.4	—	333.4
Total available-for-sale investments (e)	—	1,300.0	—	1,300.0
Forward foreign exchange contracts (f)	—	1.5	—	1.5
Total financial assets carried at fair value	\$ 8,574.4	\$ 1,330.0	\$ 322.6	\$ 10,227.0
Financial liabilities carried at fair value:				
Forward foreign exchange contracts (g)	\$ —	\$ 6.2	\$ —	\$ 6.2
Contingent consideration (h)	—	—	35.6	35.6
Total financial liabilities carried at fair value	\$ —	\$ 6.2	\$ 35.6	\$ 41.8

(a) Cash equivalents are included in Cash and cash equivalents in the condensed consolidated balance sheets.

(b) Restricted investments are included in the following accounts in the condensed consolidated balance sheets (in millions):

	March 31, 2023	December 31, 2022
Restricted investments	\$ 5.6	\$ 5.6
Other investments	1.4	1.2
Total	\$ 7.0	\$ 6.8

(c) Equity securities are included in the following accounts in the condensed consolidated balance sheets (in millions):

	March 31, 2023	December 31, 2022
Short-term investments	\$ 59.7	\$ 56.5
Other investments	8,511.9	8,473.9
Total	\$ 8,571.6	\$ 8,530.4

(d) The Loan under the fair value option is included in Other investments in the condensed consolidated balance sheets.



- (e) Available-for-sale investments are included in Short-term investments in the condensed consolidated balance sheets.
- (f) Forward foreign exchange contracts in an asset position are included in Other current assets in the condensed consolidated balance sheets.
- (g) Forward foreign exchange contracts in a liability position are included in Other current liabilities in the condensed consolidated balance sheets.
- (h) Contingent considerations in a liability position are included in Other long-term liabilities in the condensed consolidated balance sheets. Changes in the fair value of contingent consideration are included in Selling, general and administrative expenses in our condensed consolidated statements of income (loss).

#### *Level 1 Fair Value Measurements*

As of March 31, 2023, we own 12,987,900 ordinary voting shares and 9,588,908 preference shares of Sartorius AG (Sartorius), of Goettingen, Germany, a process technology supplier to the biotechnology, pharmaceutical, chemical and food and beverage industries. We own approximately 38% of the ordinary outstanding shares (excluding treasury shares) and 28% of the preference shares of Sartorius as of March 31, 2023. The Sartorius family trust (Sartorius family members are beneficiaries of the trust) holds a majority interest of the outstanding ordinary shares of Sartorius. We do not have the ability to exercise significant influence over the operating and financial policies of Sartorius primarily because we do not have any representative or designee on Sartorius' board of directors and have tried and failed to obtain access to operating or financial information necessary to apply the equity method of accounting.

The changes in fair market value of our investment in Sartorius for the three months ended March 31, 2023 was a \$20.1 million loss and was recorded in our condensed consolidated statements of income (loss).

#### *Level 2 Fair Value Measurements*

To estimate the fair value of Level 2 debt securities as of March 31, 2023, our primary pricing provider uses Refinitiv as the primary pricing source. Our pricing process allows us to select a hierarchy of pricing sources for securities held. If Refinitiv does not price a Level 2 security that we hold, then the pricing provider will utilize our custodian supplied pricing as the secondary pricing source.

Available-for-sale investments consist of the following (in millions):

	March 31, 2023				
	Amortized Cost	Unrealized Gains	Unrealized Losses	Allowances for Credit Losses	Fair Value
Short-term investments:					
Corporate debt securities	\$ 682.8	\$ 0.4	\$ (9.0)	\$ —	\$ 674.2
Municipal obligations	18.2	—	(0.2)	—	18.0
Asset-backed securities	333.4	0.3	(5.6)	—	328.1
U.S. government sponsored agencies	295.9	0.2	(2.4)	—	293.7
Foreign government obligations	13.8	—	(0.2)	—	13.6
	<u>\$ 1,344.1</u>	<u>\$ 0.9</u>	<u>\$ (17.4)</u>	<u>\$ —</u>	<u>\$ 1,327.6</u>

The following is a summary of the amortized cost and estimated fair value of our debt securities at March 31, 2023 by contractual maturity date (in millions):

	Amortized Cost	Estimated Fair Value
Mature in less than one year	\$ 412.5	\$ 409.1
Mature in one to five years	777.2	767.7
Mature in more than five years	154.4	150.8
Total	<u>\$ 1,344.1</u>	<u>\$ 1,327.6</u>

Available-for-sale investments consist of the following (in millions):

	December 31, 2022				
	Amortized Cost	Unrealized Gains	Unrealized Losses	Allowances for Credit Losses	Estimated Fair Value
Short-term investments:					
Corporate debt securities	\$ 709.9	\$ 0.2	\$ (10.8)	—	\$ 699.3
Municipal obligations	23.4	—	(0.3)	—	23.1
Asset-backed securities	339.6	0.1	(6.3)	—	333.4
U.S. government sponsored agencies	233.9	—	(3.2)	—	230.7
Foreign government obligations	13.8	—	(0.3)	—	13.5
Total	<u>1,320.6</u>	<u>0.3</u>	<u>(20.9)</u>	<u>—</u>	<u>1,300.0</u>

As of March 31, 2023 there were no significant continuous unrealized losses greater than 12 months.

Our evaluation of credit losses for available-for-sale debt securities included the extent to which the fair value is less than the amortized cost basis, adverse conditions specifically related to the debt security, an industry or geographic area, and any changes in the rating of a security by a rating agency. Credit loss impairments are limited to the amount that the fair value of an instrument is less than its amortized cost basis.

At March 31, 2023, we have concluded that all payments related to our available-for-sale investments are expected to be made in full and on time at par value. The diminution of value in the intervening period is due to market conditions such as illiquidity and interest rate movements and not due to significant, inherent credit concerns surrounding the issuer. As a result, we have no allowances for credit losses on our available-for-sale investments portfolio as of March 31, 2023.

Included in other current assets are \$14.8 million and \$11.6 million of interest receivable as of March 31, 2023 and December 31, 2022, respectively, primarily associated with securities in our available-for-sale investments portfolio. The interest on these securities is typically payable semi-annually. Due to the short-term nature of our interest receivable asset, we have made an accounting policy election not to measure an allowance for credit losses for accrued interest receivable. We consider any uncollected interest receivable that is overdue greater than one year to be impaired for purposes of write-off. For the three months ended March 31, 2023, we have not written-off any uncollected interest receivable.

As part of distributing our products, we regularly enter into intercompany transactions. We enter into forward foreign exchange contracts to manage foreign exchange risk of future movements in foreign exchange rates that affect foreign currency denominated intercompany receivables and payables. We do not use derivative financial instruments for speculative or trading purposes. We do not seek hedge accounting treatment for these contracts. As a result, these contracts, generally with maturity dates of 90 days or less, are recorded at their fair value at each balance sheet date. The notional amounts provide one measure of foreign exchange exposures as of March 31, 2023 and do not represent the amount of Bio-Rad's exposure to loss. The estimated fair value of these contracts was derived using the spot rates and forward points from Refinitiv on the last business day of the quarter. The resulting gains or losses from foreign exchange contracts offset gains or losses from foreign currency remeasurement of the related receivables and payables, both of which are included in Foreign currency exchange (gains) losses, net in the condensed consolidated statements of income (loss).

The following is a summary of our forward foreign exchange contracts (in millions):

	March 31, 2023
Contracts maturing in April through June 2023 to sell foreign currency:	
Notional value	\$ 719.5
Unrealized gain	\$ 0.2
Contracts maturing in April through June 2023 to purchase foreign currency:	
Notional value	\$ 84.9
Unrealized gain	\$ 0.2

### *Level 3 Fair Value Investments*

During the fourth quarter of 2021, we extended a collateralized loan to Sartorius-Herbst Beteiligungen II GmbH ("SHB"), a private limited company incorporated under the laws of Germany, with a principal amount of €400 million due on January 31, 2029, subject to certain events which could trigger payment prior to maturity (the "Loan"). SHB used the Loan proceeds to partially finance the acquisition of interests under the Sartorius family trust ("Trust") from a beneficiary of the Trust. The Loan is collateralized by the pledge of certain of the Trust interests, which upon termination of the Trust in mid-2028 represent the right to receive Sartorius ordinary shares. Interest on the loan is payable annually in arrears at 1.5% per annum, and the entire principal amount is due at maturity. In addition to contractual interest, we are entitled to certain value appreciation rights associated with the acquired Trust interests, which upon termination of the Trust represent the right to receive Sartorius ordinary shares, that is due upon repayment of the Loan. We elected the fair value option under ASC 825, Financial Instruments for accounting of the Loan to SHB to simplify the accounting. The fair value of the Loan and value appreciation right is estimated under the income approach using a discounted cash flow, and option pricing model, respectively, which results in a fair value measurement categorized in Level 3. The significant assumptions used to estimate fair value of the Loan include an estimate of the discount rate and cash flows of the Loan and the significant assumptions used to estimate the fair value of the value appreciation right include volatility, the risk-free interest rate, expected life (in years) and expected dividend. The inputs are subject to estimation uncertainty and actual amounts realized may materially differ. An increase in the expected volatility may result in a significantly higher fair value, whereas a decrease in expected life may result in a significantly lower fair value. All subsequent changes in fair value of the Loan and value appreciation right, including accrued interest are recognized in Losses from change in fair market value of equity securities and loan receivable in our condensed consolidated statements of income (loss). The overall change in fair market value reflected in Losses from change in fair market value of equity securities and loan receivable during the three months ended March 31, 2023 was \$2.2 million, which includes an \$8.0 million gain from the change in fair market value for the Loan offset by a \$10.2 million loss from the change in fair market value of the value appreciation right. The decrease in the fair market value of the value appreciation right was due to a decline in the value of the Sartorius ordinary shares. As of March 31, 2023, the €400 million principal amount of the loan is still due on January 31, 2029.

The following table provides a reconciliation of the Level 3 Loan measured at estimated fair value (in millions):

December 31, 2022	\$	322.6
Net decrease in estimated fair market value of the loan included in Gains (losses) in fair market value of equity securities and loan receivable	\$	(2.2)
Foreign currency exchange gains (losses), net	\$	4.1
March 31, 2023	\$	324.5

#### 4. GOODWILL AND OTHER PURCHASED INTANGIBLE ASSETS

Changes to goodwill by segment are as follows (in millions):

	Life Science	Clinical Diagnostics	Total
Balances as of December 31, 2022:			
Goodwill	\$ 333.3	\$ 408.4	\$ 741.7
Accumulated impairment losses	(41.8)	(293.4)	(335.2)
Goodwill, net	291.5	115.0	406.5
Acquisitions (see Note 2)	—	0.4	0.4
Foreign currency adjustments	—	0.9	0.9
Period increase, net	—	1.3	1.3
Balances as of March 31, 2023:			
Goodwill	333.3	409.7	743.0
Accumulated impairment losses	(41.8)	(293.4)	(335.2)
Goodwill, net	\$ 291.5	\$ 116.3	\$ 407.8

Information regarding our identifiable purchased intangible assets with finite and indefinite lives is as follows (in millions):

<b>March 31, 2023</b>				
	<b>Weighted-Average Remaining Amortization Period (years)</b>	<b>Purchase Price</b>	<b>Accumulated Amortization</b>	<b>Net Carrying Amount</b>
Customer relationships/lists	5.0	\$ 105.7	\$ (92.2)	\$ 13.5
Know how	2.5	167.3	(156.1)	11.2
Developed product technology	12.7	211.9	(124.6)	87.3
Licenses	5.6	59.0	(39.5)	19.5
Tradenames	6.3	6.1	(4.5)	1.6
Covenants not to compete	3.0	6.4	(4.3)	2.1
Total finite-lived intangible assets		556.4	(421.2)	135.2
In-process research and development		192.6	—	192.6
Total purchased intangible assets		<u>\$ 749.0</u>	<u>\$ (421.2)</u>	<u>\$ 327.8</u>

<b>December 31, 2022</b>				
	<b>Weighted-Average Remaining Amortization Period (years)</b>	<b>Purchase Price</b>	<b>Accumulated Amortization</b>	<b>Net Carrying Amount</b>
Customer relationships/lists	5.0	\$ 104.7	\$ (89.9)	\$ 14.8
Know how	2.8	166.2	(153.9)	12.3
Developed product technology	12.8	211.1	(121.6)	89.5
Licenses	5.8	59.0	(38.5)	20.5
Tradenames	6.6	6.1	(4.5)	1.6
Covenants not to compete	3.1	6.4	(4.0)	2.4
Total finite-lived intangible assets		553.5	(412.4)	141.1
In-process research and development		191.0	—	191.0
Total purchased intangible assets		<u>\$ 744.5</u>	<u>\$ (412.4)</u>	<u>\$ 332.1</u>

Amortization expense related to purchased intangible assets is as follows (in millions):

<b>Three Months Ended March 31,</b>			
	<b>2023</b>	<b>2022</b>	
Amortization expense	\$ 6.0	\$	6.3

## 5. INVENTORY

Following are the components of Inventory at March 31, 2023 and December 31, 2022 (in millions):

	March 31, 2023	December 31, 2022
<b>Inventory:</b>		
Raw materials	\$ 233.7	\$ 228.8
Work in process	224.2	220.9
Finished goods	295.0	269.6
Total Inventory	<u>\$ 752.9</u>	<u>\$ 719.3</u>

## 6. SUPPLEMENTAL CASH FLOW INFORMATION

The reconciliation of net income (loss) to net cash provided by operating activities is as follows (in millions):

	Three Months Ended	
	March 31, 2023	March 31, 2022
Net income (loss)	\$ 69.0	\$ (3,367.3)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	35.6	33.4
Reduction in the carrying amount of right-of-use assets	10.0	10.0
Share-based compensation	16.6	13.5
Losses from change in fair market value of equity securities and loan receivable	17.5	4,545.1
Payments for operating lease liabilities	(9.9)	(9.5)
Increase in accounts receivable	(1.4)	(46.8)
Increase in inventories	(30.1)	(35.5)
Increase in other current assets	(16.0)	(33.8)
Increase (decrease) in accounts payable and other current liabilities	8.2	(38.9)
Increase in income taxes payable	10.4	7.8
Decrease in deferred income taxes	(13.9)	(1,027.8)
Increase in other long-term liabilities	2.5	0.2
Other	(0.4)	0.1
Net cash provided by operating activities	\$ 98.1	\$ 50.5
Non-cash investing activities:		
Purchased property, plant and equipment	\$ 8.4	\$ 1.5
Purchased marketable securities and investments	\$ 6.3	\$ 13.2
Sold marketable securities and investments	\$ —	\$ 2.0

## 7. LONG-TERM DEBT

The principal components of long-term debt are as follows (in millions):

	March 31, 2023	December 31, 2022
3.3%, Senior Notes due 2027	\$ 400.0	\$ 400.0
3.7%, Senior Notes due 2032	800.0	800.0
Less unamortized discounts and debt issuance costs	(12.0)	(12.4)
Long-term debt less unamortized discounts and debt issuance costs	1,188.0	1,187.6
Finance leases and other debt	10.5	10.6
Less current maturities	(0.5)	(0.5)
Long-term debt	<u>\$ 1,198.0</u>	<u>\$ 1,197.7</u>



## 8. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated other comprehensive income included in our condensed consolidated balance sheets consists of the following components (in millions):

	Foreign currency translation adjustments	Foreign other post- employment benefits adjustments	Net unrealized holding gains (losses) on available-for- sale investments	Total accumulated other comprehensive income (loss)
Balances as of January 1, 2023:	\$ (466.5)	\$ 10.0	\$ (10.3)	\$ (466.8)
Other comprehensive income, before reclassifications	55.4	0.1	4.0	59.5
Amounts reclassified from Accumulated other comprehensive income (loss)	—	(0.1)	0.2	0.1
Income tax effects	(0.2)	0.1	(1.0)	(1.1)
Other comprehensive income, net of income taxes	55.2	0.1	3.2	58.5
Balances as of March 31, 2023:	\$ (411.3)	\$ 10.1	\$ (7.1)	\$ (408.3)

  

	Foreign currency translation adjustments	Foreign other post- employment benefits adjustments	Net unrealized holding gains (losses) on available-for-sale investments	Total accumulated other comprehensive income (loss)
Balances as of January 1, 2022:	\$ (170.5)	\$ (10.9)	\$ 5.8	\$ (175.6)
Other comprehensive income (loss), before reclassifications	(128.7)	0.4	(5.2)	(133.5)
Income tax effects	0.1	(0.1)	1.2	1.2
Other comprehensive income (loss), net of income taxes	(128.6)	0.3	(4.0)	(132.3)
Balances as of March 31, 2022:	\$ (299.1)	\$ (10.6)	\$ 1.8	\$ (307.9)

All amounts reclassified out of accumulated other comprehensive income were reclassified into other income, net in the condensed consolidated statements of income. The reclassification adjustments are calculated using the specific identification method.

## 9. EARNINGS (LOSS) PER SHARE

Bio-Rad's issued and outstanding stock consists of Class A Common Stock (Class A) and Class B Common Stock (Class B). Each share of Class A and Class B common stock participates equally in the earnings and losses of Bio-Rad, and each share is identical to the next in all respects except as follows. Class A common stock has limited voting rights compared to Class B. Each share of Class A is entitled to one tenth of a vote on most matters, whereas each share of Class B is always entitled to one vote. Additionally, Class A stockholders are entitled to elect 25% of the directors, with Class B stockholders electing the remaining directors. Cash dividends may be paid on Class A

shares without paying a cash dividend on Class B shares. In contrast, no cash dividend may be paid on Class B shares unless at least an equal cash dividend is paid on Class A shares. Class B shares are convertible at any time into Class A shares on a one-for-one basis at the option of the stockholder.

We compute net income (loss) per share of Class A Common Stock (Class A) and Class B Common Stock (Class B) using the two-class method required for participating securities. Our participating securities include Class A and Class B. Each share of Class A and Class B participates equally in earnings and losses, but may not participate equally in dividend distributions. No dividends were distributed or declared during any of the periods presented. Earnings (loss) is attributable equally to each share of Class A and Class B common stock and is determined based on the weighted average number of the respective class of common stock outstanding for the three months ended March 31, 2023.

Accordingly, basic earnings (loss) per share is computed by dividing net income (loss) attributable to Bio-Rad by the weighted average number of common shares outstanding for that period. Diluted earnings per share takes into account the effect of dilutive instruments, such as stock options, restricted stock and performance stock, and uses the average share price for the period in determining the number of potential common shares that are to be added to the weighted average number of shares outstanding. Potential common shares are excluded from the diluted earnings (loss) per share calculation if the effect of including such securities would be anti-dilutive.

The weighted average number of common shares outstanding used to calculate basic and diluted earnings (loss) per share, and the anti-dilutive shares that are excluded from the diluted earnings (loss) per share calculation are as follows (in thousands):

	Three Months Ended March 31,	
	2023	2022
Basic weighted average shares outstanding	29,596	29,933
Effect of potentially dilutive stock options, restricted stock and performance stock awards	151	—
Diluted weighted average common shares outstanding	29,747	29,933
Anti-dilutive shares	94	550

#### 10. OTHER INCOME, NET

Other income, net includes the following components (in millions):

	Three Months Ended March 31,	
	2023	2022
Interest and investment income	\$ (50.3)	\$ (32.2)
Net realized losses on investments	0.7	—
Other income	(0.8)	(0.4)
Other income, net	\$ (50.4)	\$ (32.6)

## 11. INCOME TAXES

Our effective income tax rate was 18.7% and 22.9% for the three months ended March 31, 2023 and 2022, respectively.

The realization of deferred tax assets are dependent upon the generation of sufficient taxable income of the appropriate character in future periods. We regularly assess our ability to realize our deferred tax assets and establish a valuation allowance if it is more likely than not that some portion, or all, of our deferred tax assets will not be realized. In assessing the realizability of our deferred tax assets, we weigh all available positive and negative evidence. Due to the weight of objectively verifiable negative evidence, we believe that it is more likely than not that certain of our state and foreign deferred tax assets will not be realized as of March 31, 2023, and have maintained a valuation allowance on such deferred tax assets. The valuation allowance against our federal, state and foreign deferred tax assets increased by \$10 million for the period ended March 31, 2023 compared to the year ended December 31, 2022.

Our income tax returns are audited by U.S. federal, state and foreign tax authorities. We are currently under examination by many of these tax authorities. The tax years open to examination include the years 2012 and forward for the U.S. and certain foreign jurisdictions including France, Germany, India and Switzerland. There are differing interpretations of tax laws and regulations, and as a result, significant disputes may arise with these tax authorities involving issues of the timing and amount of deductions and allocations of income among various tax jurisdictions. We evaluate our exposures associated with our tax filing positions on a quarterly basis.

We record liabilities for unrecognized tax benefits related to uncertain tax positions. We do not believe any currently pending uncertain tax positions will have a material adverse effect on our condensed consolidated financial statements, although an adverse resolution of one or more of these uncertain tax positions in any period may have a material impact on the results of operations for that period.

Our gross unrecognized tax benefits were \$87.2 million and \$85.5 million as of March 31, 2023 and December 31, 2022, respectively. The increase in our gross unrecognized tax benefits is primarily attributable to increases of uncertain tax accruals in various jurisdictions.

As of March 31, 2023, based on the expected outcome of certain examinations or as a result of the expiration of statutes of limitation for certain jurisdictions, we believe that within the next twelve months it is reasonably possible that our previously unrecognized tax benefits could decrease by up to \$17.6 million. Substantially all such amounts will impact our effective income tax rate if recognized.

## 12. SEGMENT INFORMATION

Information regarding operating profit for the three months ended March 31, 2023 and 2022 is as follows (in millions):

			Life Science	Clinical Diagnostics	Other Operations
Net Sales	2023	\$	323.6	\$ 352.1	\$ 1.1
	2022	\$	347.2	\$ 351.8	\$ 1.1
Operating Profit	2023	\$	35.7	\$ 26.3	\$ (0.1)
	2022	\$	89.6	\$ 57.1	\$ (0.3)

Segment results are presented in the same manner as we manage our business internally to make operating decisions and assess performance. Our chief operating decision maker ("CODM") views all operating expenses and corporate

overhead as directly supporting the strategies of our segments and these costs are fully allocated to our reportable segments.

The following reconciles total segment profit to consolidated income (loss) before income taxes (in millions):

	Three Months Ended March 31,	
	2023	2022
Operating profit	\$ 61.9	\$ 146.4
Interest expense	(12.3)	(4.0)
Foreign currency exchange gains (losses), net	2.3	2.1
Change in fair market value of equity securities	(17.5)	(4,545.1)
Other income (expense), net	50.4	32.6
Consolidated income (loss) before income taxes	<u>\$ 84.8</u>	<u>\$ (4,368.0)</u>

### **13. LEGAL PROCEEDINGS**

We are a party to various claims, legal actions and complaints arising in the ordinary course of business. While we do not believe, at this time, that any ultimate liability resulting from any of these matters will have a material adverse effect on our results of operations, financial position or liquidity, we cannot give any assurance regarding the ultimate outcome of these matters and their resolution could be material to our operating results for any particular period, depending on the level of income for the period.

#### 14. RESTRUCTURING COSTS

In February 2021, we announced our strategy-driven restructuring plan in furtherance of our ongoing program to improve operating performance. The restructuring plan primarily impacts our operations in EMEA and includes the elimination of certain positions, the consolidation of certain functions, and the relocation of certain manufacturing operations from EMEA to APAC. The restructuring plan is being implemented in phases and is expected to be substantially complete by mid-2023. The adjustments to expense recorded were primarily due to changes in the estimates of employee termination benefits. From February 2021 to March 31, 2023, total expenses were \$67.3 million.

The following table summarizes the activity of our February 2021 restructuring reserves (in millions):

	Life Science	Clinical Diagnostics	Total
Balances as of December 31, 2022:	\$ 1.9	\$ 29.7	\$ 31.6
Adjustment to expense	(0.3)	(1.0)	(1.3)
Cash payments	(0.9)	(6.1)	(7.0)
Foreign currency adjustments	0.1	0.2	0.3
Balances as of March 31, 2023:	\$ 0.8	\$ 22.8	\$ 23.6

In February 2023, management approved a new restructuring plan to implement identified opportunities to further streamline and improve operating performance. The additional restructuring activities are being implemented in phases and are expected to be substantially complete by the end of 2023. From February 2023 to March 31, 2023, total expenses were \$14.9 million, representing estimated termination benefits to employees.

The following table summarizes the activity of our February 2023 restructuring reserves (in millions):

	Life Science	Clinical Diagnostics	Total
Balances as of December 31, 2022:	\$ —	\$ —	\$ —
Charged to expense - employee termination benefits	7.2	7.7	14.9
Cash payments	(0.7)	(0.8)	(1.5)
Foreign currency adjustments	0.1	0.2	0.3
Balances as of March 31, 2023:	\$ 6.6	\$ 7.1	\$ 13.7

Combined, the liability of \$37.3 million as of March 31, 2023 consisted of \$36.7 million recorded in Accrued payroll and employee benefits and \$0.6 million recorded in Other long-term liabilities in the condensed consolidated balance sheets. The amounts reflected in Cost of goods sold, Selling, general and administrative expense and Research and development expense for the three months ended March 31, 2023 were \$0.3 million, \$9.1 million and \$4.2 million, respectively, in the condensed consolidated statements of income (loss).

#### 15. LEASES

We have operating leases and to a lesser extent finance leases, for buildings, vehicles and equipment. Our leases have remaining lease terms of 1 year to 16 years, which includes our determination to exercise renewal options.

We determine if an arrangement is a lease at inception. Operating leases are included in Operating lease right-of-use ("ROU") assets, Current operating lease liabilities, and Operating lease liabilities in our condensed consolidated

balance sheets. Finance leases are included in Property, plant and equipment, Current maturities of long-term debt, and Long-term debt, net of current maturities in our condensed consolidated balance sheets.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. Operating lease ROU assets also include any lease payments made and excludes lease incentives. Our lease terms may include options to extend or terminate the lease. For purposes of determining the lease term used in the measurement of operating lease ROU assets and operating lease liabilities, we include the noncancellable period of the lease together with those periods covered by the option to extend the lease if we are reasonably certain to exercise that option, the periods covered by an option to terminate the lease if we are reasonably certain not to exercise that option, and the periods covered by the option to extend (or to not terminate) the lease in which exercise of the option is controlled by the lessor. Lease expense is recognized on a straight-line basis over the lease term. Where we act as lessee, we elected not to separate lease and non-lease components.

The components of lease expense were as follows (in millions):

	Three Months Ended March 31,	
	2023	2022
Operating lease cost	\$ 15.8	\$ 14.3
Finance lease cost:		
Amortization of right-of-use assets	\$ 0.1	\$ 0.1
Interest on lease liabilities	0.2	0.2
Total finance lease cost	\$ 0.3	\$ 0.3

Operating lease cost includes original reduction in the carrying amount of ROU assets, the impact of remeasurements, modifications, impairments and abandonments.

Our short-term leases are expensed as incurred, reflecting leases with a lease term of one year or less, and are not significant for the three months ended March 31, 2023 and 2022. Operating lease variable cost is primarily comprised of reimbursed actual common area maintenance, property taxes and insurance, which are immaterial for the three months ended March 31, 2023 and 2022.

Supplemental cash flow information related to leases was as follows (in millions):

	Three Months Ended March 31,	
	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 9.9	\$ 9.5
Operating cash flows from finance leases	\$ 0.2	\$ 0.2
Financing cash flows from finance leases	\$ 0.1	\$ 0.1
Right-of-use assets obtained in exchange for new lease obligations:		
Operating leases	\$ 2.2	\$ 5.5

Supplemental balance sheet information related to leases was as follows (in millions):

	March 31, 2023	December 31, 2022
<b>Operating Leases</b>		
Operating lease right-of-use assets	\$ 174.1	\$ 181.0
Current operating lease liabilities	\$ 36.1	\$ 36.3
<b>Operating lease liabilities</b>	<b>147.0</b>	<b>153.6</b>
Total operating lease liabilities	\$ 183.1	\$ 189.9

Finance leases are included in Property, plant and equipment, Current maturities of long-term debt, and Long-term debt and notes payable, net of current maturities (in millions):

	March 31, 2023	December 31, 2022
<b>Finance Leases</b>		
Property, plant and equipment, gross	\$ 11.9	11.9
Less: accumulated depreciation and amortization	(5.6)	(5.5)
Property, plant and equipment, net	\$ 6.3	\$ 6.4
Current maturities of long-term debt and notes payable	\$ 0.5	\$ 0.5
Long-term debt, net of current maturities	10.0	10.1
Total finance lease liabilities	\$ 10.5	\$ 10.6

	March 31, 2023	December 31, 2022
<b>Weighted Average Remaining Lease Term</b>		
Operating leases - in years	7	7
Finance leases - in years	14	15
<b>Weighted Average Discount Rate</b>		
Operating leases	3.1 %	3.0 %
Finance leases	6.4 %	6.3 %

Maturities of lease liabilities were as follows (in millions):

Year Ending December 31,	Operating Leases	Finance Leases
2023 (excluding the three months ended March 31, 2023)	\$ 31.1	\$ 1.2
2024	37.1	1.2
2025	33.6	1.1
2026	26.3	1.1
2027	21.1	1.1
Thereafter	56.6	11.6
Total lease payments	205.8	17.3
Less imputed interest	(22.7)	(6.8)
Total	\$ 183.1	\$ 10.5

The value of our operating lease portfolio is principally for facilities with longer durations than the lesser value vehicles, and other equipment with shorter terms and higher turn-over.

As of March 31, 2023, operating leases that have not commenced are not material.

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

This discussion should be read in conjunction with the information contained in both our consolidated financial statements for the year ended December 31, 2022 and the condensed consolidated financial statements for the three months ended March 31, 2023.

**Overview.** We are a multinational manufacturer and worldwide distributor of our own life science research and clinical diagnostics products. Our business is organized into two reportable segments, Life Science and Clinical Diagnostics, with the mission to provide scientists with specialized tools needed for biological research and health care specialists with products needed for clinical diagnostics.

We sell more than 12,000 products and services to a diverse client base comprised of scientific research, healthcare, education and government customers worldwide. We do not disclose quantitative information about our different products and services as it is impractical to do so based primarily on the numerous products and services that we sell and the global markets that we serve.

We manufacture and supply our customers with a range of reagents, apparatus and equipment to separate complex chemical and biological materials and to identify, analyze and purify components. As our customers require standardization for their experiments and test results, much of our revenues are recurring in nature.

We are impacted by the support of many governments for both research and healthcare. The current global economic outlook is still uncertain as the need to control government social spending by many governments limits opportunities for growth. Approximately 44% of our year-to-date 2023 consolidated net sales are derived from the United States and approximately 56% are derived from international locations, with Europe being our largest international region. The international sales are largely denominated in local currencies such as the Euro, Swiss Franc, Japanese Yen, Chinese Yuan and British Sterling. As a result, our consolidated net sales expressed in dollars benefit when the U.S. dollar weakens and suffer when the dollar strengthens. When the U.S. dollar strengthens, we benefit from lower cost of sales from our own international manufacturing sites, and from lower international operating expenses. We regularly discuss our changes in revenue and expense categories in terms of both changing foreign exchange rates and in terms of a currency neutral basis, if notable, to explain the impact currency has on our results.

### ***COVID-19 and Supply Chain Impact***

The COVID-19 pandemic has impacted and, we expect to some extent, will continue to impact parts of our business, operations, financial condition and results of operations in a variety of ways. During the first quarter of 2023, demand for products associated with COVID-19 testing and related research was minimal. Delays and shortages in the supply of components and raw materials continued in the first quarter of 2023, but we have seen improvements. These shortages, along with a slower production ramp up with our manufacturing transition to Asia, have caused a backlog of sales orders, some of which we consider to be significant, and some delays in certain new product development activities. They have also led to increases in inventory as we continue to receive available materials and source those in short supply. While we are making significant progress in procuring required materials, we expect the backlog of sales orders to continue through the remainder of 2023. For more discussion relating to the impacts of the COVID-19 pandemic and supply chain constraints, please see "Item 1A. Risk Factors" to this Form 10-Q.



### ***Results of Operations***

The following table shows cost of goods sold, gross profit, components of operating expense, losses from change in fair market value of equity securities and loan receivable, and net income (loss) as a percentage of net sales:

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Net sales	100.0 %	100.0 %
Cost of goods sold	46.5	42.5
Gross profit	53.5	57.5
Selling, general and administrative expense	33.3	28.1
Research and development expense	11.1	8.5
Losses from change in fair market value of equity securities and loan receivable	2.6	649.2
Net income (loss)	10.2	(481.0)

### ***Critical Accounting Policies and Estimates***

An accounting policy is deemed to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, if different estimates reasonably could have been used, or if changes in the estimate that are reasonably likely to occur could materially impact the financial statements. Management believes that there have been no significant changes during the three months ended March 31, 2023 to the items that we disclosed as our critical accounting policies and estimates in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

There have been no substantial changes in our significant accounting policies during the three months ended March 31, 2023, compared with the significant accounting policies described in our Annual Report on Form 10-K for the year ended December 31, 2022.

### **Three Months Ended March 31, 2023 Compared to Three Months Ended March 31, 2022**

#### ***Results of Operations – Sales, Margins and Expenses***

Percentage sales growth in currency neutral amounts are calculated by translating prior period sales in each local currency using the current period monthly average foreign exchange rates for that currency and comparing that to current period sales.

Net sales (sales) for the first quarter of 2023 were \$676.8 million compared to \$700.1 million in the first quarter of 2022, a decrease of 3.3%.

COVID-related sales were \$2.6 million in the first quarter of 2023 compared to approximately \$45.3 million in the first quarter of 2022. Excluding the impact of foreign currency, first quarter 2023 sales decreased by approximately 0.3% compared to the same period in 2022. Currency neutral sales increased in the Americas, but this was offset by decreased sales in EMEA and Asia Pacific. Excluding COVID-related sales, sales increased 6.1% on a currency neutral basis from the first quarter of 2022.

The Life Science segment sales for the first quarter of 2023 were \$323.6 million, a decrease of 6.8% compared to the same period last year. On a currency neutral basis, sales decreased 3.6% compared to the first quarter of 2022. Currency neutral sales decreased in both Asia Pacific and EMEA, partially offset by increased sales in the Americas. COVID-related sales were \$2.3 million in the first quarter of 2023 compared to approximately \$44.2 million in the first quarter of 2022. Excluding COVID-related sales, sales increased 9.6% on a currency neutral basis driven by increased sales of Gene Expression, Western Blotting and Droplet Digital PCR products.

The Clinical Diagnostics segment sales for the first quarter of 2023 were \$352.1 million, an increase of 0.1% compared to the same period last year. On a currency neutral basis, sales increased 2.8% compared to the first quarter of 2022. Currency neutral sales increased in Asia Pacific, partially offset by a decrease in Europe and the Americas. COVID-related sales were \$0.3 million in the first quarter of 2023 compared to approximately \$1.1 million in the first quarter of 2022. Excluding COVID-related sales, sales increased 3.1% on a currency neutral basis. The currency neutral sales increase was primarily driven by an increased demand for our diagnostic testing systems, despite the continuing effect of supply chain constraints.

Consolidated gross margins were 53.5% for the first quarter of 2023 compared to 57.5% for the first quarter of 2022. Gross margins for the Life Science segment and the Clinical Diagnostics segment for the first quarter of 2023 decreased by approximately 5.6 percentage points and 2.2 percentage points respectively from the same period last year. The decrease in gross margins was primarily driven by product mix, higher logistics costs, and higher material costs.

Selling, general and administrative expenses (SG&A) increased to \$225.6 million or 33.3% of sales for the first quarter of 2023 compared to \$196.7 million or 28.1% of sales for the first quarter of 2022. The increase to SG&A

was driven by costs related to a restructuring initiative that was recorded in the first quarter of 2023, as well as higher employee related, marketing and travel expenses.

Research and development (R&D) expenses increased to \$75.0 million or 11.1% of sales in the first quarter of 2023 compared to \$59.5 million or 8.5% of sales in the first quarter of 2022. Life Science segment R&D expense increased in the first quarter of 2023 compared to the prior year period, primarily from increased investment to complete strategic projects in key investment areas, higher employee related expenses, and costs related to a restructuring initiative that was recorded in the first quarter of 2023. Clinical Diagnostics segment R&D expense increased in the first quarter of 2023 from the prior year period driven by continued investment in new strategic development projects, higher employee related expenses, and costs related to a restructuring initiative that was recorded in the first quarter of 2023.

### ***Results of Operations – Non-operating***

Interest expense for the first quarter of 2023 and 2022 was \$12.3 million and \$4.0 million, respectively, an increase of \$8.3 million compared to the prior year period. The increase was primarily due to interest accrued on the \$1.2 billion Senior Notes, as well as the associated amortization of discounts and debt issues costs. (see Note 7, "Long-term Debt" in the condensed consolidated financial statements).

Foreign currency exchange gains, net consist primarily of foreign currency transaction gains and losses on intercompany net receivables and payables and the change in fair value of our forward foreign exchange contracts used to manage our foreign currency exchange risk. Foreign currency exchange gains, net were \$2.3 million for the first quarter of 2023 compared to foreign currency exchange gain, net of \$2.1 million for the first quarter of 2022. Gains and losses are primarily due to the estimating process inherent in the timing of product shipments and intercompany debt payments, market volatility, and the change in the fair value of our foreign exchange contracts.

Losses from change in fair market value of equity securities and loan receivable was a loss of \$17.5 million and \$4.55 billion for the first quarter of 2023 and 2022, respectively. The change in the fair market value primarily resulted from the recognition of holding losses of \$20 million in the first quarter of 2023 compared to holding losses of \$4.5 billion in the first quarter of 2022 on our position in Sartorius AG. In addition, in the first quarter of 2023, there was a loss of \$2.2 million in the change in fair market value of the Loan we entered into with SHB compared to a loss of \$89.9 million in the first quarter of 2022.

Other income, net for the first quarter of 2023 was income, net of \$50.4 million compared to income, net of \$32.6 million for the first quarter of 2022. The difference of income, net of \$17.8 million was primarily attributable to an increase in interest income due to the funds invested as part of the bond proceeds and a higher dividend income from Sartorius AG.

Our effective income tax rate was 18.7% and 22.9% for the first quarter of 2023 and 2022, respectively. The effective tax rate reported in the first quarter of 2023 was primarily affected by benefits associated with preferential tax rate related to export sales and an increase in research and development costs. The tax rate reported in the first quarter of 2022 was primarily affected by an unrealized loss in equity securities. The difference in the rate is primarily driven by geographical mix of earnings.

### ***Liquidity and Capital Resources***

Bio-Rad operates and conducts business globally, primarily through subsidiary companies established in the markets in which we trade. Goods are manufactured in a small number of locations, and are then shipped to local distribution facilities around the world. Our product mix is diversified, and certain products compete largely on product efficacy, while others compete on price. Gross margins are generally sufficient to exceed normal operating costs, and funding for research and development of new products, as well as routine outflows for capital expenditures, interest and taxes. In addition to the annual positive cash flow from operating activities, additional liquidity is readily available via the sale of short-term investments and access to our \$200.0 million unsecured

revolving credit facility (Credit Agreement, as amended) that we entered into in April 2019, and to a lesser extent international lines of credit.

Borrowings under the Credit Agreement, as amended, are available on a revolving basis and can be used to make permitted acquisitions, for working capital and for other general corporate purposes. We had no outstanding borrowings under the 2019 Credit Agreement, as amended, as of March 31, 2023, however, \$0.2 million was utilized for domestic standby letters of credit that reduced our borrowing availability. As of March 31, 2023, our short-term investments include the net cash proceeds from the sale of Senior Notes of \$1.186 billion. Management believes that this availability, together with cash flow from operations, will be adequate to meet our current objectives for operations, research and development, capital additions for manufacturing and distribution, plant and equipment, information technology systems and acquisitions of reasonable proportion to our existing total available capital.

At March 31, 2023, we had available \$1.86 billion in cash, cash equivalents and short-term investments, of which approximately 10% was held in our foreign subsidiaries. The amount of funds held in the United States can fluctuate due to the timing of receipts and payments in the ordinary course of business and due to other reasons, such as acquisitions and borrowings. As part of our ongoing liquidity assessments, we regularly monitor the mix of domestic and foreign cash flows (both inflows and outflows).

It is generally our intention to repatriate certain foreign earnings to the extent that such repatriations are not restricted by local laws or accounting rules, and there are no substantial incremental costs.

### ***Cash Flows from Operations***

Net cash provided by operations was \$98.1 million compared to cash provided by operations of \$50.5 million for the three months ended March 31, 2023 and 2022, respectively. The increase in operating cash flows was primarily due to higher cash received from customers, lower cash paid to suppliers and to employees, and lower income taxes paid. These increases were partially offset by higher interest paid, higher payments for foreign exchange contracts, and timing of dividend proceeds and miscellaneous receipts, net.

### ***Cash Flows from Investing Activities***

Our investing activities have consisted primarily of cash used for purchases of marketable securities and investments, and acquisitions.

Net cash used in investing activities was \$70.5 million and \$916.1 million for the three months ended March 31, 2023 and 2022, respectively. The decrease was primarily attributable to the purchase of marketable securities and investments utilizing the cash proceeds from the sale of the senior notes. The decrease was partially offset by higher proceeds from sales of marketable securities and investments and higher proceeds from maturities of marketable securities and investments as a result of the cash proceeds invested from the sale of the senior notes.

### ***Cash Flows from Financing Activities***

Our financing activities have consisted primarily of cash from the issuance of senior notes.

Net cash provided by financing activities was \$4.3 million compared to cash provided by financing activities of \$1,190.3 million for the three months ended March 31, 2023, and 2022, respectively. This decrease was primarily attributable to the net cash proceeds from the issuance of Senior Notes received in the first quarter of 2022.

### ***Treasury Shares***

No shares were repurchased during the first quarter of 2023 and 2022. As of March 31, 2023, \$207.4 million remained available for repurchases under the Share Repurchase Program.

See Note 1 to the condensed consolidated financial statements for recent accounting pronouncements adopted.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

During the three months ended March 31, 2023, there have been no material changes from the disclosures about market risk provided in our Annual Report on Form 10-K for the year ended December 31, 2022.

### **Item 4. Controls and Procedures**

#### ***Disclosure Controls and Procedures***

We maintain “disclosure controls and procedures,” as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (“Exchange Act”), that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Subject to the limitations noted above, our management, with the participation of our CEO and CFO, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, the CEO and CFO have concluded that, as of such date, our disclosure controls and procedures were effective to meet the objective for which they were designed and operate at the reasonable assurance level.

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

We identified no changes in internal control over financial reporting that occurred during our quarter ended March 31, 2023 that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II – OTHER INFORMATION**

### **Item 1. Legal Proceedings**

See Note 13, “Legal Proceedings” in the Notes to the condensed consolidated financial statements of Part I, Item 1 of this Quarterly Report on Form 10-Q.

## Item 1A. Risk Factors

In evaluating our business and whether to invest in any of our securities, you should carefully read the following risk factors in addition to the other information contained in this report. We believe that any of the following risks could have a material effect on our business, results of operations or financial condition, our industry or the trading price of our common stock. We operate in a continually changing business environment, and new risks and uncertainties emerge from time to time. We cannot predict these new risks and uncertainties, nor can we assess the extent to which any such new risks and uncertainties or the extent to which the risks and uncertainties set forth below may adversely affect our business, results of operations, financial condition, our industry, the value of our equity holdings, or the trading price of our common stock. Please carefully consider the following discussion of significant factors, events and uncertainties that make an investment in our securities risky and provide important information for the understanding of the “forward-looking” statements discussed this report. In addition to the effects of the COVID-19 pandemic and resulting global disruptions on our business and operations discussed in this report, additional or unforeseen effects from the COVID-19 pandemic and the global economic climate may give rise to or amplify many of these risks discussed below.

### Business, Economic, Legal and Industry Risks

***Pandemics or disease outbreaks, such as the COVID-19 pandemic, have affected and could materially adversely affect our business, operations, financial condition and results of operations.***

Although we expect conditions relating to COVID-19 will continue to improve, the COVID-19 pandemic has had and if conditions deteriorate again, could continue to have an adverse effect on the United States and global economies, as well as on aspects of our business, operations and financial condition and those of third parties on whom we rely.

During the height of the COVID-19 pandemic, we experienced increased demand for certain of our products used in fighting the COVID-19 pandemic and some decreases in product demand in certain of our other businesses. If conditions related to the pandemic were to deteriorate, we expect that parts of our business could again suffer negative impacts from the pandemic.

On the supply side, we are experiencing continued but moderating challenges with the supply of raw materials and components used in the production of our products. There are currently industry wide supply shortages of certain raw materials and electronic components. These shortages have caused a backlog of sales orders, some of which we consider to be significant, and some delays in certain new product development activities. Some of the backlog of sales orders has continued into 2023. We have experienced raw material cost increases as a result of the COVID-19 pandemic, which will likely continue. In addition, while logistics capacity constraints are improving, we continue to experience freight surcharges and expect these to continue at least for the near term. Some countries continue to impose measures that may restrict the movement of our goods.

Although the severity of the COVID-19 pandemic has been waning, it is difficult to predict the full extent of potential impacts the pandemic could have in the future on our business, operations and financial results, or on our customers, suppliers, logistics providers, or on the global economy.

***A reduction or interruption in the supply of components and raw materials has adversely affected and could continue to adversely affect our manufacturing operations and related product sales.***

The manufacture of our products requires the timely delivery of sufficient amounts of quality components and materials. We manufacture our products in numerous manufacturing facilities around the world. We acquire our components and materials from many suppliers in various countries. We work closely with our suppliers to ensure the continuity of supply, but we cannot guarantee these efforts will always be successful. Further, while we seek to diversify our sources of components and materials, in certain instances we acquire components and materials from a sole supplier. The COVID-19 pandemic has created delays and shortages in the supply of components and raw materials. These shortages have caused a backlog of sales orders, some of which we consider to be significant, and some delays in certain new product development activities. Some of the backlog of sales orders has continued into 2023. We have experienced raw material cost increases as a result of the COVID-19 pandemic, which will likely continue. In addition, due to the regulatory environment in which we operate, we may need to cease use of certain essential components and materials and be unable to quickly establish acceptable replacement sources for such components or materials. When our supply is reduced or interrupted or of poor quality, and we are unable to develop alternative sources for such supply, our ability to manufacture our products in a timely or cost-effective manner is adversely affected, which adversely affects our ability to sell our products. See also our risk factor regarding the COVID-19 pandemic above.

***Our international operations expose us to additional costs and legal and regulatory risks, which could have a material adverse effect on our business, results of operations and financial condition.***

We have significant international operations. We have direct distribution channels in over 35 countries outside the United States, and during the three months ended March 31, 2023 our foreign entities generated 56% of our net sales. Compliance with complex foreign and U.S. laws and regulations that apply to our international operations increases our cost of doing business. These numerous and sometimes conflicting laws and regulations include, among others, data privacy requirements, labor relations laws, tax laws, anti-competition regulations, import and trade restrictions, tariffs, duties, quotas and other trade barriers, export requirements, U.S. laws such as the Foreign Corrupt Practices Act ("FCPA") and other U.S. federal laws and regulations established by the office of Foreign Asset Control, foreign laws such as the UK Bribery Act 2010 or other foreign laws which prohibit corrupt payments to governmental officials or certain payments or remunerations to customers. In addition, changes in laws or regulations potentially could be disruptive to our operations and business relationships in the affected regions.

Given the high level of complexity of the foreign and U.S. laws and regulations that apply to our international operations, there is a risk that we may inadvertently breach some provisions, for example, through fraudulent or negligent behavior of individual employees, our failure to comply with certain formal documentation requirements, or otherwise. Our success depends, in part, on our ability to anticipate these risks and manage these challenges through policies, procedures and internal controls. However, we have a dispersed international sales organization, and we use distributors and agents in many of our international operations. This structure makes it more difficult for us to ensure that our international selling operations comply with laws and regulations, and our global policies and procedures.

Violations of these laws and regulations could result in fines, criminal sanctions against us, our officers or our employees, requirements to obtain export licenses, cessation of business activities in sanctioned countries, implementation of compliance programs, and prohibitions on the conduct of our business. Violations of laws and regulations also could result in prohibitions on our ability to offer our products in one or more countries and could materially damage our reputation, our brand, our international expansion efforts, our ability to attract and retain employees, or our business, results of operations and financial condition. See also our risk factors regarding the COVID-19 pandemic above and regarding government regulations and global economic conditions below.

***The industries and market segments in which we operate are highly competitive, and we may not be able to compete effectively.***

The life science and clinical diagnostics markets are each highly competitive. Some of our competitors have greater financial resources than we do, making them better equipped to license technologies and intellectual property from third parties or to fund research and development, manufacturing and marketing efforts, or to source high-demand materials and components. Moreover, competitive and regulatory conditions in many markets in which we operate restrict our ability to fully recover, through price increases, higher costs of acquired goods and services resulting from inflation and other drivers of cost increases. Many public tenders have become more competitive due to governments lengthening the commitments of their public tenders to multiple years, which reduce the number of tenders in which we can participate annually. Because the value of these multiple-year tenders is so high, our competitors have been more aggressive with their pricing. Our failure to compete effectively and/or pricing pressures resulting from competition could adversely affect our business, results of operations and financial condition.

***We may not be able to grow our business because of our failure to develop new or improved products.***

Our future growth depends in part on our ability to continue to improve our product offerings and develop and introduce new product lines and extensions that integrate technological advances. If we are unable to integrate technological advances into our product offerings or to design, develop, manufacture and market new product lines and extensions successfully and in a timely manner, our business, results of operations and financial condition will be adversely affected. The COVID-19 pandemic and supply chain disruptions have caused some delays to our ability to develop and introduce new products. We have experienced product launch delays in the past and may do so in the future. We cannot assure you that our product and process development efforts will be successful or that new products we introduce will achieve market acceptance. Failure to launch successful new products or improvements to existing products may cause our products to become obsolete, which could harm our business, results of operations and financial condition.

***Breaches of our information systems could have a material adverse effect on our business and results of operations.***

We have experienced and expect to continue to experience attempts by computer programmers and hackers to attack and penetrate our layered security controls, like the December 2019 Cyberattack that was previously discussed in Item 7 of our Annual Report for the period ended December 31, 2019. Through our sales and eCommerce channels, we collect and store confidential information that customers provide to, among other things, purchase products or services, enroll in promotional programs and register on our web site. We also acquire and retain information about suppliers and employees in the normal course of business. Such information on our systems includes personally identifiable information and, in limited instances, protected health information. We also create and maintain proprietary information that is critical to our business, such as our product designs and manufacturing processes. Despite recent initiatives to improve our technology systems, such as our enterprise resource planning implementation and the centralization of our global information technology organization, we could experience a significant data security breach. The Company is also subject to phishing and other fraud schemes including fraudulent vendor communications with requests for payments and fraudulent attempts to redirect payments to improper bank accounts, some of which have been successful. While the Company has adopted training and process changes to limit the success of such fraudulent activity, the Company will be unable to stop all such fraudulent activity which may lead to unrecoverable payments to criminal accounts. Increased use of remote work arrangements and rapidly evolving work scenarios in response to the COVID-19 pandemic expose us to additional risk of cyberattack and disruption. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and often are not recognized until launched against a target, we may not be able to anticipate all of these techniques or to implement adequate preventive measures. Computer hackers have attempted to penetrate and will likely continue to attempt to penetrate our and our vendors' information systems and, if successful, could misappropriate confidential customer, supplier, employee or other business information, such as our intellectual property. Third parties could also gain control of our systems and use them for criminal purposes while appearing to be us. As a result, we could lose existing customers, have difficulty attracting new customers, be exposed to claims from customers and suppliers, financial institutions, payment card



associations, employees and other persons, have regulatory sanctions or penalties imposed, incur additional expenses or lose revenues as a result of a data privacy breach, or suffer other adverse consequences. Our operations and ability to process sales orders, particularly through our eCommerce channels, could also be disrupted, as they were in the December 2019 Cyberattack. Any significant breakdown, intrusion, interruption, corruption, or destruction of our systems, as well as any data breaches, could have a material adverse effect on our business and results of operations. See also our risk factors regarding our information technology systems and our enterprise resource planning system (ERP) implementation below.

***If our information technology systems are disrupted, or if we fail to successfully implement, manage and integrate our information technology and reporting systems, our business, results of operations and financial condition could be harmed.***

Our information technology (IT) systems are an integral part of our business, and a serious disruption of our IT systems (which increasingly include cloud-based systems provided by third party vendors) could have a material adverse effect on our business, results of operations and financial condition. We depend on our IT systems to process orders, manage inventory and collect accounts receivable. Our IT systems also allow us to efficiently purchase products from our suppliers and ship products to our customers on a timely basis, maintain cost-effective operations and provide customer service. We may experience disruption of our IT systems due to redundancy issues with our network servers. We cannot assure you that our contingency plans will allow us to operate at our current level of efficiency.

Our ability to implement our business plan in a rapidly evolving market requires effective planning, reporting and analytical processes. We expect that we will need to continue to improve and further integrate our IT systems, reporting systems and operating procedures by training and educating our employees with respect to these improvements and integrations on an ongoing basis in order to effectively run our business. We may suffer interruptions in service, loss of data or reduced functionality when we upgrade or change systems or migrate to cloud-based systems. If we fail to successfully manage and integrate our IT systems, reporting systems and operating procedures, it could adversely affect our business, results of operations and financial condition. See also our risk factors regarding our data security above and ERP implementation and events beyond our control below.

***We are subject to foreign currency exchange fluctuations, which could have a material adverse effect on our results of operations and financial condition.***

As stated above, a significant portion of our operations and sales are outside of the United States. When we make purchases and sales in currencies other than the U.S. dollars, we are exposed to fluctuations in foreign currencies relative to the U.S. dollar that may adversely affect our results of operations and financial condition. Our international sales are largely denominated in local currencies. As a result, the strengthening of the U.S. dollar negatively impacts our consolidated net sales expressed in U.S. dollars. Conversely, when the U.S. dollar weakens, our expenses at our international sites increase. In addition, the volatility of other currencies may negatively impact our operations outside of the United States and increase our costs to hedge against currency fluctuations. In addition, we hold investments and a loan receivable that are subject to foreign exchange fluctuations. We cannot assure you that future shifts in currency exchange rates will not have a material adverse effect on our results of operations and financial condition.

***Changes in the market value of our position in Sartorius AG materially impact our financial results.***

Changes in the market value of our position in Sartorius AG will continue to materially impact our consolidated statements of income and other financial statements. A decline in the market value of our position in Sartorius AG will result in losses due to write-downs in the value of the equity securities. An increase in the market value of our position in Sartorius AG will result in a favorable impact to net income independent of the actual operating performance of our business. Depending on the extent of the decline or of the increase in the market value of our position in Sartorius AG, these negative or positive impacts on us could be significant and material.

Our share price may change significantly based upon changes in the market value of our position in Sartorius AG, and such change is independent of the actual performance of our business. Additionally, non-operating income for a period may be significantly impacted by any distribution of dividends by Sartorius AG, particularly when the dividends amount varies in comparison to prior year periods.

***The value of our position in Sartorius AG might cause us to be deemed an investment company under the Investment Company Act of 1940.***

As a result of the market value of our position in Sartorius AG, we might be deemed to be an “investment company” under Section 3(a)(1)(C) of the Investment Company Act of 1940, as amended (the “Investment Company Act”). The Company does not believe it is an investment company primarily in reliance on Section 3(b)(1) of the Investment Company Act because we are “primarily engaged” in a business other than that of investing, reinvesting, owning, holding or trading in securities. Rather, we are primarily engaged in the development, manufacturing and marketing of products for the life science research and clinical diagnostic markets, and we believe that our historical development, our public representations of policy, the activity of our officers and directors, the nature of our present assets, the sources of our present income, and the public perception of the nature of our business all support the conclusion that we are an operating company and not an investment company. Although we have discussed this issue with the staff of the SEC and we are comfortable with our position, if it is determined later that the Company may not rely on Section 3(b)(1) or any other exemption under the Investment Company Act and the Company were deemed to be an unregistered investment company, such determination would have a material adverse effect on our business as we would need to register as an investment company and be subject to the regulations of the Investment Company Act which are designed to restrict and regulate mutual funds rather than operating companies. It could also call into question the validity of all contracts to which the Company is a party. If it appeared likely that we would be deemed to be an investment company, we may modify our position in Sartorius AG in order to avoid such determination.

***We may incur losses in future periods due to write-downs in the value of financial instruments.***

We have positions in a variety of financial instruments including asset backed securities and other similar instruments. Financial markets are volatile and the markets for these securities can be illiquid. The value of these securities will continue to be impacted by external market factors including default rates, changes in the value of the underlying property, such as residential or commercial real estate, rating agency actions, the prices at which observable market transactions occur and the financial strength of various entities, such as financial guarantors who provide insurance for the securities. Should we need to convert these positions to cash, we may not be able to sell these instruments without significant losses due to current debtor financial conditions, low trading volume of the securities, or other market considerations.

As discussed further in the Notes to Condensed Consolidated Financial Statements, in Note 3. Fair Value Measurements, under the heading “*Level 3 Fair Value Investments*”, we made a loan of 400 million Euros to Sartorius-Herbst Beteiligungen II GmbH in November 2021 that is secured by the pledge of certain trust interests which upon termination of the trust represent the right to receive Sartorius ordinary shares (the “Loan”). Prior to a termination of the trust, the trust interests, which are provided as collateral for the Loan, are not tradable on the capital markets and may, in case of an enforcement, have to be sold with a significant discount to the value of the underlying shares.

We also have positions in equity securities, including our position in Sartorius AG. Financial markets are volatile and the markets for these equity securities can be illiquid as well. A decline in the market value of our investments in equity securities could result in significant losses due to write-downs in the value of the equity securities. Also, if we need to convert these positions to cash, we may not be able to sell these equity securities without significant losses. In addition, a significant decline in the value of the Sartorius ordinary shares would reduce the value of the collateral for the Loan discussed in the previous paragraph, and in such circumstances the value of the collateral may be insufficient to cover the repayment of the Loan, and Sartorius-Herbst Beteiligungen II GmbH will likely have no other assets from which to repay the Loan. Furthermore, the change in the market value of Sartorius ordinary shares will have an impact on the value appreciation rights acquired in connection with the Loan discussed in the previous paragraph.

***We may experience difficulties implementing our new global enterprise resource planning system.***

We are engaged in a multi-year implementation of a new global enterprise resource planning system (ERP). The ERP is designed to efficiently maintain our books and records and provide information important to the operation of our business to our management team. The ERP will continue to require significant investment of human and financial resources. In implementing the ERP, we may experience significant delays, increased costs and other difficulties, as we already have with some of our earlier deployments. Any significant disruption or deficiency in the design and implementation of the ERP could adversely affect our ability to process orders, ship product, send invoices and track payments, fulfill contractual obligations or otherwise operate our business. We expect to implement the remaining smaller phases of the ERP platform over the next few years. In addition, our efforts to centralize various business processes and functions within our organization in connection with our ERP implementation may continue to disrupt our operations and negatively impact our business, results of operations and financial condition.

***Recent and planned changes to our organizational structure could negatively impact our business.***

We made significant changes to our organizational structure over the past few years, including the reorganization of aspects of our European operations that was announced in February 2021. These changes may have unintended consequences, such as distraction of our management and employees, labor unrest, business disruption, disruption of supply, attrition of our workforce, inability to attract or retain key employees, and reduced employee morale or productivity.

***Risks relating to intellectual property rights may negatively impact our business.***

We rely on a combination of copyright, trade secret, patent and trademark laws and third-party nondisclosure agreements to protect our intellectual property rights and products. However, we cannot assure you that our intellectual property rights will not be challenged, invalidated, circumvented or rendered unenforceable, or that meaningful protection or adequate remedies will be available to us. For instance, unauthorized third parties have attempted to copy our intellectual property, reverse engineer or obtain and use information that we regard as proprietary, or have developed equivalent technologies independently, and may do so in the future. Additionally, third parties have asserted patent, copyright and other intellectual property rights to technologies that are important to us and may do so in the future. If we are unable to license or otherwise access protected technology used in our products, or if we lose our rights under any existing licenses, we could be prohibited from manufacturing and marketing such products. From time to time, we also must enforce our patents or other intellectual property rights or defend ourselves against claimed infringement of the rights of others through litigation. As a result, we could incur substantial costs, be forced to redesign our products, or be required to pay damages or royalties to an infringed party. Any of the foregoing matters could adversely impact our business, results of operations and financial condition.

***Global economic and geopolitical conditions could adversely affect our operations.***

In recent years, we have been faced with very challenging global economic conditions. The COVID-19 pandemic, as discussed above, has caused disruptions to global economic conditions. Russia's invasion of Ukraine and sanctions against Russia also are causing disruptions to global economic conditions and are negatively impacting our business in Russia. It is unknown how long such disruptions will continue and whether such disruptions will become more severe. In addition, the bank failures in March 2023 and the resulting volatility in the banking sector could cause disruptions to global economic conditions and may impact access to cash and other financial resources by our customers and suppliers. A deterioration in the global economic environment may result in a decrease in demand for our products, increased competition, downward pressure on the prices for our products and longer sales cycles. A weakening of macroeconomic conditions is also adversely affecting our suppliers, which could continue to result in interruptions in the supply of the components and raw materials necessary for our products and raw material cost increases. Additionally, the United States and other countries, such as China and India, recently have imposed tariffs on certain goods. While tariffs imposed by other countries on U.S. goods have not yet had a significant impact on our business, further escalation of tariffs or other trade barriers could adversely impact our

profitability and/or our competitiveness. See also our risk factors regarding the COVID-19 pandemic and our international operations above and regarding government regulations below.

***Reductions in government funding and the capital spending programs of our customers could have a material adverse effect on our business, results of operations or financial condition.***

Our customers include universities, clinical diagnostics laboratories, government agencies, hospitals and pharmaceutical, biotechnology and chemical companies. The capital spending programs of these institutions and companies have a significant effect on the demand for our products. Such programs are based on a wide variety of factors, including the resources available to make such purchases, the availability of funding from grants by governments or government agencies, the spending priorities for various types of equipment and the policies regarding capital expenditures during industry downturns or recessionary periods. If government funding to our customers were to decrease, or if our customers were to decrease or reallocate their budgets in a manner adverse to us, our business, results of operations or financial condition could be materially and adversely affected.

***Changes in the healthcare industry could have an adverse effect on our business, results of operations and financial condition.***

There have been, and will continue to be, significant changes in the healthcare industry in an effort to reduce costs. These changes include:

- The trend towards managed care, together with healthcare reform of the delivery system in the United States and efforts to reform in Europe, has resulted in increased pressure on healthcare providers and other participants in the healthcare industry to reduce selling prices. Consolidation among healthcare providers and consolidation among other participants in the healthcare industry has resulted in fewer, more powerful groups, whose purchasing power gives them cost containment leverage. In particular, there has been a consolidation of laboratories and a consolidation of blood transfusion centers. These industry trends and competitive forces place constraints on the levels of overall pricing and thus could have a material adverse effect on our gross margins for products we sell in clinical diagnostic markets.
- Third party payors, such as Medicare and Medicaid in the United States, have reduced their reimbursements for certain medical products and services. Our Clinical Diagnostics business is impacted by the level of reimbursement available for clinical tests from third party payors. In the United States payment for many diagnostic tests furnished to Medicare fee-for-service beneficiaries is made based on the Medicare Clinical Laboratory Fee Schedule (CLFS), a fee schedule established and adjusted from time to time by the Centers for Medicare and Medicaid Services (CMS). Some commercial payors are guided by the CLFS in establishing their reimbursement rates. Laboratories and clinicians may decide not to order or perform certain clinical diagnostic tests if third party payments are inadequate, and we cannot predict whether third party payors will offer adequate reimbursement for tests utilizing our products to make them commercially attractive. Legislation, such as the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act (PPACA) and the Middle Class Tax Relief and Job Creation Act of 2012, has reduced the payments for clinical laboratory services paid under the CLFS. In addition, the Protecting Access to Medicare Act of 2014 (PAMA) has made significant changes to the way Medicare will pay for clinical laboratory services, which has further reduced reimbursement rates.

To the extent that the healthcare industry seeks to address the need to contain costs stemming from reform measures such as those contained in the PPACA and the PAMA, or in future legislation, by limiting the number of clinical tests being performed or the amount of reimbursement available for such tests, our business, results of operations and financial condition could be adversely affected. If these changes in the healthcare markets in the United States and Europe continue, we could be forced to alter our approach in selling, marketing, distributing and servicing our products.

***We are subject to substantial government regulation, and any changes in regulation or violations of regulations by us could adversely affect our business, prospects, results of operations or financial condition.***

Some of our products (primarily our Clinical Diagnostic products), production processes and marketing are subject to U.S. federal, state and local, and foreign regulation, including by the FDA in the United States and its foreign counterparts. The FDA regulates our Clinical Diagnostic products as medical devices, and we are subject to significant regulatory clearances or approvals to market our Clinical Diagnostic products and other requirements including, for example, recordkeeping and reporting requirements, such as the FDA's medical device reporting regulations and reporting of corrections and removals. The FDA has broad regulatory and enforcement powers. If the FDA determines that we have failed to comply with applicable regulatory requirements, it can impose a variety of enforcement actions ranging from public warning letters, fines, injunctions, consent decrees and civil penalties to suspension or delayed issuance of approvals, seizure or recall of our products, total or partial shutdown of production, withdrawal of approvals or clearances already granted, and criminal prosecution.

The FDA can also require us to repair, replace or refund the cost of devices that we manufactured or distributed. In addition, the FDA may change its clearance and approval policies, adopt additional regulations or revise existing regulations, or take other actions, which may prevent or delay approval or clearance of our products or impact our ability to modify our currently approved or cleared products on a timely basis. Any delay in, or failure to receive or maintain, clearance or approval for our products or changes in regulation could prevent us from generating revenue from these products and adversely affect our business operations and financial results. Additionally, the FDA and other regulatory authorities have broad enforcement powers. Regulatory enforcement or inquiries, or other increased scrutiny on us, could affect the perceived safety and efficacy of our products and dissuade our customers from using our products.

Many foreign governments have similar rules and regulations regarding the importation, registration, labeling, sale and use of our products. Such agencies may also impose new requirements that may require us to modify or re-register products already on the market or otherwise impact our ability to market our products in those countries. For example, the EU in-vitro Diagnostics Regulation (the "EU IVDR") includes broad changes regarding in vitro diagnostic devices and medical devices. The implementation date for the EU IVDR was May 2022, though the EU Council and Parliament signed an amendment that delays certain previously mandated deadlines to allow more time for Notified Body to manage the entire portfolio of IVD products on the European market. The EU IVDR requires us to modify or re-register some products and will result in additional costs. Failure to meet these requirements could adversely impact our business in the EU and other regions that tie their product registrations to the EU requirements. In addition, Russia has enacted more stringent medical product registration and labeling regulations, China has enacted stricter labeling requirements, and we expect other countries, such as Brazil and India, to impose more regulations that impact our product registrations. The United Kingdom's withdrawal from the European Union is resulting in additional regulatory requirements associated with goods manufactured and sold in the United Kingdom and additional complexities and delays with respect to goods, raw materials and personnel moving between the United Kingdom and the European Union. In addition, new government administrations may interpret existing regulations or practices differently. Due to these evolving and diverse requirements, we face uncertain product approval timelines, additional time and effort to comply, as well as the potential for reduced sales and/or fines for noncompliance. Increasing protectionism in such countries also impedes our ability to compete with local companies. For example, we may not be able to participate in certain public tenders in Russia because of increasing measures to restrict access to such tenders for companies without local manufacturing capabilities. Certain tenders in China and India also are including local manufacturing preferences or requirements. Such regulations could adversely affect our business, results of operations and financial condition. See also our risk factors regarding our international operations and regarding global economic and geopolitical conditions above.

We are also subject to government regulation of the use and handling of a number of materials and controlled substances. The U.S. Drug Enforcement Administration establishes registration, security, recordkeeping, reporting, storage, distribution and other requirements for controlled substances pursuant to the Controlled Substances Act of 1970. Failure to comply with present or future laws and regulations could result in substantial liability to us, suspension or cessation of our operations, restrictions on our ability to expand at our present locations or require us to make significant capital expenditures or incur other significant expenses.

***We cannot assure you that we will be able to integrate acquired companies, products or technologies into our company successfully, or we may not be able to realize the anticipated benefits from the acquisitions.***

As part of our overall business strategy, we pursue acquisitions of and investments in complementary companies, products and technologies. The benefits of any acquisition or investment may prove to be less than anticipated and may not outweigh the costs reported in our financial statements. Completing any potential future acquisitions could cause significant diversion of our management's time and resources. If we acquire or invest in new companies, products or technologies, we may be required to assume contingent liabilities or record impairment charges for goodwill and other intangible assets over time. Goodwill and non-amortizable intangible assets are subject to impairment testing, and potential periodic goodwill impairment charges, amortization expenses related to certain intangible assets, and other write-offs could harm our operating results. Impairment tests are highly sensitive to changes in assumptions and minor changes to assumptions could result in impairment losses. If the results forecast in our impairment tests are not achieved, or business trends vary from the assumptions used in forecasts, or external factors change detrimentally, future impairment losses may occur, as they have occurred in the past. Increased antitrust enforcement and greater government scrutiny of mergers in the healthcare sector may impact our ability to consummate acquisitions. We cannot assure you that we will successfully overcome these risks or any other problems we encounter in connection with any acquisitions or investments, and any such acquisitions or investments could adversely affect our business, results of operations and financial condition.

***Product quality and liability issues could harm our reputation and negatively impact our business, results of operations and financial condition.***

We must adequately address quality issues associated with our products, including defects in our engineering, design and manufacturing processes, as well as defects in third-party components included in our products. Our instruments, reagents and consumables are complex, and identifying the root cause of quality issues, especially those affecting reagents or third-party components, is difficult. We may incur significant costs and expend substantial time in researching and remediating such issues. Quality issues could also delay our launching or manufacturing of new products. In addition, quality issues, unapproved uses of our products, or inadequate disclosure of risks related to our products, could result in product recalls or product liability or other claims being brought against us. In responding to shortages, we may source components from alternative suppliers and distributors. Quality issues associated with components from these alternative sources may lead to product failures and associated costs notwithstanding our efforts to detect and remediate such quality issues. These issues could harm our reputation, impair our relationship with existing customers and harm our ability to attract new customers, which could negatively impact our business, results of operations and financial condition.

***Lack of key personnel could hurt our business.***

Our products are very technical in nature, and we operate in a complex and competitive business environment. In general, only highly qualified and well-trained scientists have the necessary skills to develop, market and sell our products, and many of our manufacturing positions require very specialized knowledge and skills. In addition, the global nature of our business also requires that we have sophisticated and experienced staff to comply with increasingly complex international laws and regulations. We face intense competition for these professionals from our competitors, customers, marketing partners and other companies throughout our industry. In particular, the job market in Northern California, where many of our employees are located, is very competitive. If we do not offer competitive compensation and benefits, we may fail to retain or attract a sufficient number of qualified personnel, which could impair our ability to properly run our business.

***We may have higher than anticipated tax liabilities.***

We are subject to income taxes in the United States and many foreign jurisdictions. We report our results of operations based on our determination of the amount of taxes owed in various tax jurisdictions in which we operate. The determination of our worldwide provision for income taxes and other tax liabilities requires estimation, judgment and calculations where the ultimate tax determination may not be certain. Our determination of our tax liabilities is subject to review or examination by tax authorities in various tax jurisdictions. Tax authorities have disagreed with our judgment in the past and may disagree with positions we take in the future resulting in assessments of additional taxes. Any adverse outcome of such review or examination could have a negative impact on our operating results and financial condition.

Economic and political pressures to increase tax revenues in various jurisdictions may make resolving tax disputes more difficult. For example, in recent years, the tax authorities in Europe have disagreed with our tax positions related to hybrid debt, research and development credits, transfer pricing and indirect taxes, among others. We regularly assess the likelihood of the outcome resulting from these examinations to determine the adequacy of our provision for income taxes. Although we believe our tax estimates are reasonable, the final determination of tax audits and any related litigation could be materially different from our historical income tax provisions and accruals.

***Changes in tax laws or rates, changes in the interpretation of tax laws or changes in the jurisdictional mix of our earnings could adversely affect our financial position and results of operations.***

On December 22, 2017, the U.S. enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the “Tax Act”) which made a number of substantial changes to how the United States imposes income tax on multinational corporations. The U.S Treasury, Internal Revenue Service and other standard setting bodies continue to issue guidance and interpretation relating to the Tax Act. As future guidance is issued, we may make adjustments to amounts previously reported that could materially impact our financial statements.

On August 16, 2022, President Biden signed into law the Inflation Reduction Act of 2022, which includes an Alternative Minimum Tax based on the Adjusted Financial Statement Income of Applicable Corporations. Based on our initial evaluation, we do not believe the Inflation Reduction Act will have a material impact on our income tax provision and cash taxes. However, future U.S. Department of the Treasury guidance and regulations could result in changes in this initial conclusion.

The Biden Administration released its 2024 budget recommendations to Congress on March 9, 2023. The administration's budget includes significant corporate tax increases over a 10-year period. If enacted, the provision could have a significant impact on Bio-Rad's income tax provision. We will continue to monitor the proposed legislation and report the impact if the legislation is enacted.

The tax effect of our position in Sartorius AG and the jurisdictional mix of our earnings could continue to materially affect our financial results and cash flow. In addition, the adoption of some or all of the recommendations set forth in the Organization for Economic Co-operation and Development's project on “Base Erosion and Profit Shifting” (BEPS) by tax authorities in the countries in which we operate, could negatively impact our effective tax rate. These recommendations focus on payments from affiliates in high tax jurisdictions to affiliates in lower tax jurisdictions and the activities that give rise to a taxable presence in a particular country.

***Environmental, health and safety regulations and enforcement proceedings may negatively impact our business, results of operations and financial condition.***

Our operations are subject to federal, state, local and foreign environmental laws and regulations that govern such activities as transportation of goods, emissions to air and discharges to water, as well as handling and disposal practices for solid, hazardous and medical wastes. In addition to environmental laws that regulate our operations, we are also subject to environmental laws and regulations that create liability and clean-up responsibility for spills, disposals or other releases of hazardous substances into the environment as a result of our operations or otherwise impacting real property that we own or operate. The environmental laws and regulations also subject us to claims by

third parties for damages resulting from any spills, disposals or releases resulting from our operations or at any of our properties. We must also comply with various health and safety regulations in the United States and abroad in connection with our operations.

We may in the future incur capital and operating costs to comply with currently existing laws and regulations, and possible new statutory enactments, and these expenditures may be significant. We have incurred, and may in the future incur, fines related to environmental matters and/or liability for costs or damages related to spills or other releases of hazardous substances into the environment at sites where we have operated, or at off-site locations where we have sent hazardous substances for disposal. We cannot assure you, however, that such matters or any future obligations to comply with environmental or health and safety laws and regulations will not adversely affect our business, results of operations or financial condition.

***Our current and future debt and related covenants may restrict our future operations.***

We have substantial debt and have the ability to incur additional debt. As of March 31, 2023, we had approximately \$1,198.0 million of outstanding long-term indebtedness, primarily consisting of the 3.300% Senior Notes due in March 2027 and the 3.700% Senior Notes due in March 2032 as further discussed in Note 7 of the condensed consolidated financial statements. In addition, we have a revolving credit facility that provides for up to \$200.0 million in borrowing capacity, \$0.2 million of which has been utilized for domestic standby letters of credit. Our incurrence of substantial amounts of debt may have important consequences. For instance, it could:

- make it more difficult for us to satisfy our financial obligations, including those relating to our outstanding debt;
- require us to dedicate a substantial portion of our cash flow from operations to the payment of interest and principal due under our debt, which will reduce funds available for other business purposes;
- increase our vulnerability to general adverse economic and industry conditions;
- limit our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate;
- place us at a competitive disadvantage compared with some of our competitors that have less debt; and
- limit our ability to obtain additional financing required to fund working capital and capital expenditures and for other general corporate purposes.

Our existing credit facility, our Senior Notes and agreements we may enter in the future, contain or may contain covenants imposing restrictions on our business. These restrictions may affect our ability to operate our business and may limit our ability to take advantage of potential business opportunities as they arise. Existing covenants place restrictions on our ability to, among other things: incur additional debt; acquire other businesses or assets through merger or purchase; create liens; make investments; enter into transactions with affiliates; sell assets; in the case of some of our subsidiaries, guarantee debt; and declare or pay dividends, redeem stock or make other distributions to stockholders. Our existing credit facility also requires that we comply with certain financial ratios, including a maximum consolidated leverage ratio test and a minimum consolidated interest coverage ratio test. Our ability to comply with these covenants may be affected by events beyond our control, including prevailing economic, financial and industry conditions. The breach of any of these restrictions could result in a default. An event of default under our debt agreements would permit some of our lenders to declare all amounts borrowed from them to be due and payable, together with accrued and unpaid interest. In addition, acceleration of our other indebtedness may cause us to be unable to make interest payments on our outstanding notes and repay the principal amount of our outstanding notes.



***We are subject to healthcare laws and regulations and could face substantial penalties if we are unable to fully comply with such laws.***

We are subject to healthcare regulation and enforcement by both the U.S. federal government and the U.S. states and foreign governments in which we conduct our business. These healthcare laws and regulations include, for example:

- the U.S. federal Anti-Kickback Statute, which prohibits, among other things, persons or entities from soliciting, receiving, offering or providing remuneration, directly or indirectly, in return for or to induce either the referral of an individual for, or the purchase order or recommendation of, any item or services for which payment may be made under a federal healthcare program such as the Medicare and Medicaid programs;
- U.S. federal false claims laws, which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment from Medicare, Medicaid, or other third-party payors that are false or fraudulent. In addition, the U.S. federal government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the false claims statutes;
- the U.S. Physician Payment Sunshine Act, which requires certain manufacturers of drugs, biologics, devices and medical supplies to record any transfers of value to U.S. physicians and U.S. teaching hospitals;
- the Health Insurance Portability and Accountability Act ("HIPAA"), as amended by the Health Information Technology for Economic and Clinical Health Act, which governs the conduct of certain electronic healthcare transactions and protects the security and privacy of protected health information; and
- state or foreign law equivalents of each of the U.S. federal laws above, such as anti-kickback and false claims laws, which may apply to items or services reimbursed by any third-party payor, including commercial insurers.

These laws will continue to impose administrative, cost and compliance burdens on us. The shifting compliance environment and the need to build and maintain robust systems to comply with multiple jurisdictions with different compliance and/or reporting requirements increases the possibility that a healthcare company may violate one or more of these requirements. In addition, any action against us for violation of these laws, even if we successfully defend against it, could cause us to incur significant legal expenses and divert our management's attention from the operation of our business. If our operations are found to be in violation of any of the laws described above or any other governmental regulations that apply to us, we may be subject to penalties, including civil and criminal penalties, damages, fines, exclusion from the Medicare and Medicaid programs, and the curtailment or restructuring of our operations, any of which could adversely affect our ability to operate our business, results of operations and financial condition.

## **Risks Related to Being a Public Company**

***Our failure to establish and maintain effective internal control over financial reporting could result in material misstatements in our financial statements, our failure to meet our reporting obligations and cause investors to lose confidence in our reported financial information, which in turn could cause the trading price of our common stock to decline.***

Maintaining effective disclosure controls and procedures and internal controls over financial reporting are necessary for us to produce reliable financial statements. Material weaknesses in our internal control over financial reporting have adversely affected us in the past and could affect us in the future and the results of our periodic management evaluations and annual auditor attestation reports regarding the effectiveness of our internal control over financial reporting required by Section 404 of the Sarbanes-Oxley Act of 2002. Any failure to maintain or implement new or improved internal controls, or any difficulties that we may encounter in their maintenance or implementation, could result in additional material weaknesses, result in material misstatements in our consolidated financial statements and cause us to fail to meet our reporting obligations. This could cause us to lose public confidence and could cause the trading price of our common stock to decline.

## **General Business Risks**

***Natural disasters, climate related events, terrorist attacks, acts of war or other events beyond our control may cause damage or disruption to us and our employees, facilities, information systems, security systems, vendors and customers, which could significantly impact our business, results of operations and financial condition.***

We have significant manufacturing and distribution facilities, including in the western United States, France, Switzerland, Germany and Singapore. In particular, the western United States has experienced a number of earthquakes, wildfires, floods, landslides and other natural disasters in recent years, some of which may be associated with climate change. These occurrences could damage or destroy our facilities which may result in interruptions to our business and losses that exceed our insurance coverage. In addition, lack of fuel resources due to geo-political instability (such as Russia's reduction in energy resources supplied to Western Europe), electricity outages, the inability to operate our production and distribution facilities due to power grid failures or lack of fuel, and strikes or other labor unrest at any of our sites or surrounding areas could cause disruption to our business. Acts of terrorism, bioterrorism, violence or war (such as Russia's invasion of Ukraine), weather-related events, or public health issues such as the outbreak of a contagious disease like COVID-19 could also affect the markets in which we operate, our business operations and strategic plans. Political unrest may affect our sales in certain regions, such as in Southeast Asia, the Middle East and Eastern Europe. Any of these events could adversely affect our business, results of operations and financial condition.

## **Risks Related to Our Common Stock**

***A significant majority of our voting stock is held by the Schwartz family, which could lead to conflicts of interest.***

We have two classes of voting stock: Class A Common Stock and Class B Common Stock. With a few exceptions, holders of Class A and Class B Common Stock vote as a single class. When voting as a single class, each share of Class A Common Stock is entitled to one-tenth of a vote, while each share of Class B Common Stock has one vote. In the election or removal of directors, the classes vote separately and the holders of Class A Common Stock are entitled to elect 25% of the Board of Directors, with holders of Class B Common Stock electing the remaining directors. As a result of the Schwartz family's ownership of our Class A and Class B Common Stock, they are able to elect a majority of our directors, effect fundamental changes in our direction and control matters affecting us, including the determination of business opportunities that may be suitable for our company. The Schwartz family may exercise its control over us according to interests that are different from other investors' or debtors' interests. In particular, this concentration of ownership and voting power may have the effect of delaying or preventing a change in control of our company.

*The forum selection provision in our bylaws could increase costs to bring a claim, discourage claims or limit the ability of the Company's stockholders to bring a claim in a judicial forum viewed by the stockholders as more favorable for disputes with the Company or the Company's directors, officers or other employees.*

Our bylaws provide that unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, another state court located within the State of Delaware or, if no state court located within the State of Delaware has jurisdiction, the federal district court for the District of Delaware) shall be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Company, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of the Company to the Company or the Company's stockholders, (iii) any action arising pursuant to any provision of the General Corporation Law of the State of Delaware, the Certificate of Incorporation or the Bylaws (in each case, as may be amended from time to time) or (iv) any action asserting a claim against the Company or any of its directors, officers or other employees governed by the internal affairs doctrine of the State of Delaware. This choice of forum provision may increase costs to bring a claim, discourage claims or limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with the Company or the Company's directors, officers or other employees, which may discourage such lawsuits against the Company or the Company's directors, officers and other employees. Alternatively, if a court were to find the choice of forum provision contained in the Company's bylaws to be inapplicable or unenforceable in an action, the Company may incur additional costs associated with resolving such action in other jurisdictions.

Application of the choice of forum provision may be limited in some instances by applicable law. Section 27 of the Exchange Act creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder. As a result, the choice of forum provision will not apply to actions arising under the Exchange Act or the rules and regulations thereunder. Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder, subject to a limited exception for certain "covered class actions." There is uncertainty, particularly in light of current litigation, as to whether a court would enforce the choice of forum provision with respect to claims under the Securities Act. Our stockholders will not be deemed, by operation of the Company's choice of forum provision, to have waived claims arising under the federal securities laws and the rules and regulations thereunder.

## **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

As of March 31, 2023, \$207.4 million of stock remained available for repurchases under the Company's current Share Repurchase Program, which was authorized by the Board of Directors in July 2022, July 2020 and in November 2017. Repurchases under the Share Repurchase Program may be made at management's discretion from time to time on the open market or through privately negotiated transactions. The authorization has no expiration.

The following table contains information on the shares of our common stock that we purchased or otherwise acquired during the three months ended March 31, 2023.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May yet be Purchased Under the Plans or Programs (in millions)
January 1 to January 31, 2023	—	\$ —	—	\$ 207.4
February 1 to February 28, 2023	—	\$ —	—	\$ 207.4
March 1 to March 31, 2023	—	\$ —	—	\$ 207.4

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.

## Item 6. Exhibits

### (a) Exhibits

The following documents are filed as part of this report:

Exhibit No.	
31.1	<a href="#">Chief Executive Officer Section 302 Certification</a>
31.2	<a href="#">Chief Financial Officer Section 302 Certification</a>
32.1	<a href="#">Chief Executive Officer Certification pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
32.2	<a href="#">Chief Financial Officer Certification pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>
101.INS	The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL 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 Labels Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104.1	The cover page Interactive Data File is formatted in Inline XBRL and is contained in Exhibits 101

## 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 thereto duly authorized.

BIO-RAD LABORATORIES, INC.  
(Registrant)

Date: May 5, 2023

/s/ Norman Schwartz

Norman Schwartz, Chairman of the Board,  
President and Chief Executive Officer

Date: May 5, 2023

/s/ Ilan Daskal

Ilan Daskal, Executive Vice President,  
Chief Financial Officer