

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, DC 20549

**FORM 10-Q**

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

For the quarterly period ended **December 31, 2019**, 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 **0-17272**

**BIO-TECHNE CORPORATION**

(Exact name of registrant as specified in its charter)

**Minnesota**  
(State or other jurisdiction of  
incorporation or organization)

**614 McKinley Place N.E.**  
**Minneapolis, MN 55413**  
(Address of principal executive offices) (Zip Code)

**41-1427402**  
(I.R.S. Employer  
Identification No.)

**(612) 379-8854**  
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	TECH	The NASDAQ Stock Market LLC

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 such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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.

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

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

Indicate by check mark whether the Registrant is a shell company (as defined in Exchange Act Rule 12b-2).  Yes  No

At February 3, 2020, 38,351,667 shares of the Company's Common Stock (par value \$0.01) were outstanding.

**TABLE OF CONTENTS**

**[PART I. FINANCIAL INFORMATION](#)**

	Page
Item 1. <a href="#">Condensed Consolidated Financial Statements (Unaudited)</a>	1
Item 2. <a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	17

Item 3. <a href="#">Quantitative and Qualitative Disclosures about Market Risk</a>	23
Item 4. <a href="#">Controls and Procedures</a>	24
<b><a href="#">PART II: OTHER INFORMATION</a></b>	
Item 1. <a href="#">Legal Proceedings</a>	25
Item 1A. <a href="#">Risk Factors</a>	25
Item 2. <a href="#">Unregistered Sales of Equity Securities and Use of Proceeds</a>	26
Item 3. <a href="#">Defaults Upon Senior Securities</a>	26
Item 4. <a href="#">Mine Safety Disclosures</a>	26
Item 5. <a href="#">Other Information</a>	26
Item 6. <a href="#">Exhibits</a>	27
<a href="#">SIGNATURES</a>	29

[Table of Contents](#)

## PART I. FINANCIAL INFORMATION

### ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

#### CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME

*Bio-Techne Corporation and Subsidiaries*  
(in thousands, except per share data)  
(unaudited)

	<i>Quarter Ended</i>		<i>Six Months Ended</i>	
	<i>December 31,</i>		<i>December 31,</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Net sales	\$ 184,934	\$ 174,510	\$ 368,177	\$ 337,480
Cost of sales	63,531	61,492	128,361	116,859
Gross margin	121,403	113,018	239,816	220,621
Operating expenses:				
Selling, general and administrative	68,030	63,603	137,040	130,655
Research and development	16,381	15,812	32,459	30,602
Total operating expenses	84,411	79,415	169,499	161,257
Operating income	36,992	33,603	70,317	59,364
Other (expense) income	113,334	(11,836)	97,812	(20,012)
Earnings before income taxes	150,326	21,767	168,129	39,352
Income taxes	30,704	4,211	34,111	4,394
Net earnings	\$ 119,622	\$ 17,556	\$ 134,018	\$ 34,958
Other comprehensive (loss) income:				
Foreign currency translation adjustments	11,867	(8,464)	4,265	(9,600)
Derivative instruments - cash flow hedges	1,408	(3,915)	904	(3,915)
Other comprehensive (loss) income	13,275	(12,379)	5,169	(13,515)
Comprehensive income	\$ 132,897	\$ 5,177	\$ 139,187	\$ 21,443
Earnings per share:				
Basic	\$ 3.13	\$ 0.46	\$ 3.51	\$ 0.93
Diluted	\$ 3.02	\$ 0.45	\$ 3.40	\$ 0.90
Weighted average common shares outstanding:				
Basic	38,167	37,766	38,100	37,732
Diluted	39,550	38,748	39,370	38,782

See Notes to Condensed Consolidated Financial Statements.

1

[Table of Contents](#)

### CONDENSED CONSOLIDATED BALANCE SHEETS

*Bio-Techne Corporation and Subsidiaries*  
(in thousands, except share and per share data)

	<i>December 31,</i>	<i>June 30,</i>
	<i>2019</i>	<i>2019</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 110,293	\$ 100,886
Short-term available-for-sale investments	133,657	65,147
Accounts receivable, less allowance for doubtful accounts of \$1,011 and \$980, respectively	111,753	137,466

Inventories	95,351	91,050
Other current assets	14,020	18,058
Total current assets	465,074	412,607
Property and equipment, net	164,313	154,039
Right of use asset	75,824	-
Goodwill	734,241	732,667
Intangible assets, net	549,712	579,429
Other assets	9,251	5,668
Total assets	\$ 1,998,415	\$ 1,884,410
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Trade accounts payable	\$ 19,092	\$ 16,210
Salaries, wages and related accruals	18,612	28,638
Accrued expenses	10,736	26,389
Contract liabilities	11,893	9,084
Income taxes payable	12,851	5,764
Operating lease liabilities - current	9,398	-
Contingent consideration payable	9,871	3,400
Current portion of long-term debt obligations	12,500	12,500
Total current liabilities	104,953	101,985
Deferred income taxes	104,579	89,754
Long-term debt obligations	370,452	492,660
Long-term contingent consideration payable	2,684	9,200
Operating lease liabilities	71,693	-
Other long-term liabilities	20,706	25,222
Shareholders' equity:		
Undesignated capital stock, no par; authorized 5,000,000 shares; none issued or outstanding	-	-
Common stock, par value \$.01 per share; authorized 100,000,000; issued and outstanding 38,282,251 and 37,934,040, respectively	383	379
Additional paid-in capital	362,534	316,797
Retained earnings	1,038,783	931,934
Accumulated other comprehensive loss	(78,352)	(83,521)
Total shareholders' equity	1,323,348	1,165,589
Total liabilities and shareholders' equity	\$ 1,998,415	\$ 1,884,410

See Notes to Condensed Consolidated Financial Statements.

[Table of Contents](#)

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

*Bio-Technie Corporation and Subsidiaries*

*(in thousands)*

*(unaudited)*

	Six Months Ended December 31,	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net earnings	\$ 134,018	\$ 34,958
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	40,638	38,930
Costs recognized on sale of acquired inventory	-	1,869
Deferred income taxes	14,805	(9,106)
Stock-based compensation expense	18,495	18,426
Fair value adjustment to contingent consideration payable	100	(700)
Fair value adjustment on available for sale investments	(110,856)	9,366
Other operating activity	192	2,340
Change in operating assets and operating liabilities, net of acquisition:		
Trade accounts and other receivables, net	9,950	7,848
Inventories	(4,381)	(8,212)
Other current assets	(1,320)	(2,258)
Trade accounts payable, accrued expenses, contract liabilities, and other	7,115	5,385
Salaries, wages and related accruals	(10,185)	(3,937)
Income taxes payable	12,386	(8,898)
Net cash provided by operating activities	110,957	86,011
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale and maturities of available-for-sale investments	68,398	5,334
Purchases of available-for-sale investments	(25,099)	(26,000)
Additions to property and equipment	(25,089)	(8,794)
Acquisitions, net of cash acquired	-	(272,287)
Net cash provided by (used in) investing activities	18,210	(301,747)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Cash dividends	(24,365)	(24,151)
Proceeds from stock option exercises	27,247	18,860
Re-purchase of common stock	-	(15,404)
Proceeds from long-term debt	-	580,000

Repayments of long-term debt	(122,250)	(373,250)
Other financing activity	(1,928)	(4,731)
Net cash provided by (used in) financing activities	(121,296)	181,324
Effect of exchange rate changes on cash and cash equivalents	1,535	(1,692)
Net increase (decrease) in cash and cash equivalents	9,406	(36,104)
Cash and cash equivalents at beginning of period	100,886	121,990
Cash and cash equivalents at end of period	\$ 110,293	\$ 85,886
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	\$ 7,037	\$ 10,812
Cash paid for interest	\$ 9,869	\$ 19,135

See Notes to Condensed Consolidated Financial Statements.

3

[Table of Contents](#)

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*Bio-Techne Corporation and Subsidiaries*  
(unaudited)

### Note 1. Basis of Presentation and Summary of Significant Accounting Policies:

The interim condensed consolidated financial statements of Bio-Techne Corporation and subsidiaries, (the Company) presented here have been prepared by the Company and are unaudited. They have been prepared in accordance with accounting principles generally accepted in the United States of America and with instructions to Form 10-Q and Article 10 of Regulation S-X. They reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented. All such adjustments are of a normal recurring nature.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These interim unaudited condensed consolidated financial statements should be read in conjunction with the Company's Consolidated Financial Statements and Notes thereto for the fiscal year ended June 30, 2019, included in the Company's Annual Report on Form 10-K/A for fiscal year 2019. The Company's condensed consolidated Balance Sheet as of June 30, 2019 was derived from the audited annual Consolidated Financial Statements for fiscal year 2019. Refer to the Company's Annual Report on Form 10-K/A for fiscal year 2019 for the notes to the June 30, 2019 Balance Sheet and a summary of significant accounting policies followed by the Company. The Company follows these policies in preparation of the interim unaudited condensed consolidated financial statements.

During fiscal year 2020, the Company operated under two operating segments, Protein Sciences and Diagnostics and Genomics. The operating segments the company operated under were consistent with the Company's reportable segments disclosed in the Company's Annual Report on Form 10-K/A for fiscal 2019.

### Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which amends the existing guidance to require lessees to recognize lease assets and lease liabilities from operating leases on the balance sheet. The FASB has issued narrow codification improvements to Leases (Topic 842) through ASU No. 2018-10 and ASU 2019-01. Additionally, the FASB issued ASU 2018-11, allowing an entity to elect a transition method where they do not recast prior periods presented in the financial statements in the period of adoption. The Company has elected the transition method allowed for under ASU 2018-11 when adopting Leases (Topic 842). The Company adopted the standard effective July 1, 2019 and correspondingly recorded incremental operating lease liabilities of \$80.6 million, a right-of-use lease asset of \$79.5 million, retained earnings of \$0.8 million and a deferred tax adjustment of \$0.3 million. Additionally, the Company reclassified \$4.0 million of deferred rent recorded within accrued expenses under ASC 840 - Leases into operating lease liabilities upon adoption of Topic 842. In adopting ASC 842, the Company elected the package of available practical expedients and to use hindsight in determining the lease term for all existing leases. Further, as part of our adoption of ASC 842, the Company also made the accounting policy elections to not capitalize short term leases (defined as a lease with a lease term that is less than 12 months) and to combine lease and non-lease components for all asset classes in determining the lease payments. Refer to Note 7 for additional information on leases.

### Pronouncements Issued But Not Yet Adopted

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*. The amendment in this update replaced the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses on instruments within its scope, including trade and loan receivables and available-for-sale debt securities. This update is intended to provide financial statement users with more decision-useful information about the expected credit losses. This ASU is effective for annual periods and interim periods for those annual periods beginning after December 15, 2019, which for us is July 1, 2020. Entities may early adopt beginning after December 15, 2018. We are currently evaluating the impact of the adoption of ASU 2016-13 on our consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. The standard aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The accounting for the service element of a hosting arrangement that is a service contract is not affected by the new standard. This ASU is effective for annual periods and interim periods for those annual periods beginning after December 15, 2019, which for us is July 1, 2020 and may be adopted retrospectively or prospectively to eligible costs incurred on or after the date the guidance is first applied. We are currently evaluating the impact of the adoption of ASU 2018-15 on our consolidated financial statements and anticipate that we will adopt the standard prospectively.

4

[Table of Contents](#)

### Note 2. Revenue Recognition:

Consumables revenues consist of single-use products and are recognized at a point in time following the transfer of control of such products to the customer, which generally occurs upon shipment. Instruments revenues typically consist of longer-lived assets that, for the substantial majority of sales, are recognized at a point in time in a manner similar to consumables. The vast majority of service revenues consist of extended warranty contracts, post contract support ("PCS"), and custom development projects that are recognized over time as either the customers receive and consume the benefits of such services simultaneously or the underlying asset being developed has no alternative use for the Company at contract inception and the Company has an enforceable right to payment for the portion of the performance completed. The remaining service revenues were not material to the period and consist of laboratory services recognized at point in time. Given the Company does not have significant historical experience

collecting payments from Medicare or insurance providers, the Company considered the variable consideration for such services to be constrained as it would not be probable that a significant amount of revenue would not need to be reversed in future periods for the services provided. Accordingly, the Company did not record revenue upon completion of the performance obligation, but rather upon cash receipt, which was subsequent to the performance obligation being satisfied. Royalty revenues are primarily based on net sales of the Company's licensed products by a third party. We recognize royalty revenues in the period the sales occur using third party evidence. The Company elected the "right to invoice" practical expedient based on the Company's right to invoice a customer at an amount that approximates the value to the customer and the performance completed to date.

The Company elected the exemption to not disclose the unfulfilled performance obligations for contracts with an original length of one year or less and the exemption to exclude future performance obligations that are accounted under the sales-based or usage-based royalty guidance. The Company's unfulfilled performance obligations were not material as of December 31, 2019.

Contracts with customers that contain instruments may include multiple performance obligations. For these contracts, the Company allocates the contract's transaction price to each performance obligation on a relative standalone selling price basis. Allocation of the transaction price is determined at the contracts' inception.

Payment terms for shipments to end-users are generally net30 days. Payment terms for distributor shipments may range from 30 to 90 days. Service arrangements commonly call for payments in advance of performing the work (e.g. extended warranty and service contracts), upon completion of the service (e.g. custom development manufacturing) or a mix of both.

Contract assets include revenues recognized in advance of billings. Contract assets are included within other current assets in the accompanying balance sheet as the amount of time expected to lapse until the company's right to consideration becomes unconditional is less than one year. We elected the practical expedient allowing us to expense contract costs that would otherwise be capitalized and amortized over a period of less than one year. Contract assets as of December 31, 2019 are not material.

Contract liabilities include billings in excess of revenues recognized, such as those resulting from customer advances and deposits and unearned revenue on warranty contracts. Contract liabilities as of December 31, 2019 and June 30, 2019 were approximately \$13.2 million and \$10.4 million, respectively. Contract liabilities as of June 30, 2019 subsequently recognized as revenue during the quarter period and six month period ended December 31, 2019 were approximately \$2.2 million and \$6.0 million, respectively. Contract liabilities in excess of one year are included in Other long-term liabilities on the balance sheet.

[Table of Contents](#)

Any claims for credit or return of goods must be made within 10 days of receipt. Revenues are reduced to reflect estimated credits and returns. Although the amounts recorded for these revenue deductions are dependent on estimates and assumptions, historically our adjustments to actual results have not been material.

Taxes collected from customers relating to product sales and remitted to governmental authorities are excluded from revenue. Amounts billed to customers for shipping and handling are included in revenue, while the related shipping and handling costs are reflected in cost of products. We elected the practical expedient that allows us to account for shipping and handling activities that occur after the customer has obtained control of a good as a fulfillment cost, and we accrue costs of shipping and handling when the related revenue is recognized.

The following tables present our disaggregated revenue for the periods presented.

Revenue by type is as follows:

	Quarter Ended December 31,		Six Months Ended December 31,	
	2019	2018	2019	2018
Consumables	\$ 149,257	\$ 139,904	\$ 300,702	\$ 275,557
Instruments	19,983	19,666	36,976	35,012
Services	10,868	9,162	21,491	17,462
Total product and services revenue, net	\$ 180,108	\$ 168,732	\$ 359,168	\$ 328,031
Royalty revenues	4,826	5,778	9,009	9,449
Total revenues, net	\$ 184,934	\$ 174,510	\$ 368,177	\$ 337,480

Revenue by geography is as follows:

	Quarter Ended December 31,		Six Months Ended December 31,	
	2019	2018	2019	2018
United States	\$ 99,665	\$ 92,902	\$ 202,017	\$ 183,358
EMEA, excluding United Kingdom	38,081	38,446	76,885	73,677
United Kingdom	7,865	8,838	15,454	15,967
APAC, excluding Greater China	15,784	13,418	29,789	25,047
Greater China	19,793	16,312	35,873	29,734
Rest of World	3,746	4,594	8,159	9,697
Total revenues, net	\$ 184,934	\$ 174,510	\$ 368,177	\$ 337,480

[Table of Contents](#)

**Note 3. Selected Balance Sheet Data:**

*Inventories:*

Inventories consist of (in thousands):

	December 31, 2019	June 30, 2019
Raw materials	\$ 44,353	\$ 40,913
Finished goods <sup>(1)</sup>	54,502	53,376
Inventories, net	\$ 98,855	\$ 94,289

(1) Finished goods inventory of \$3,504 and \$3,239 is included within other long-term assets in the respective December 31, 2019 and June 30, 2019, consolidated balance sheet. The inventory is included in long-term assets as it forecasted to be sold after the 12 months subsequent to the consolidated balance sheet date.

*Property and Equipment:*

Property and equipment consist of (in thousands):

	December 31, 2019	June 30, 2019
Land	\$ 7,561	\$ 7,065
Buildings and improvements	179,164	175,019
Machinery and equipment	139,814	124,233
Property and equipment, cost	326,539	306,317
Accumulated depreciation	(162,226)	(152,278)
Property and equipment, net	\$ 164,313	\$ 154,039

*Intangible Assets:*

Intangible assets consist of (in thousands):

	December 31, 2019	June 30, 2019
Developed technology	\$ 436,454	\$ 435,679
Trade names	147,514	147,296
Customer relationships	214,434	214,320
Patents	2,309	2,133
Intangible assets	800,711	799,428
Accumulated amortization	(250,999)	(219,999)

Intangible assets, net

\$ 549,712 \$ 579,429

[Table of Contents](#)

Changes to the carrying amount of net intangible assets for these six months ended December 31, 2019 consist of (in thousands):

Beginning balance	\$ 579,429
Acquisitions	-
Other additions	189
Amortization expense	(30,108)
Currency translation	202
Ending balance	<u>\$ 549,712</u>

The estimated future amortization expense for intangible assets as of December 31, 2019 is as follows (in thousands):

2020 remainder	\$ 31,164
2021	60,162
2022	57,848
2023	55,976
2024	53,416
Thereafter	291,146
Total	<u>\$ 549,712</u>

*Goodwill:*

Changes to the carrying amount of goodwill for these six months ended December 31, 2019 consist of (in thousands):

	<i>Protein Sciences</i>	<i>Diagnostics and Genomics</i>	<i>Total</i>
Beginning balance	\$ 377,407	355,260	\$ 732,667
Acquisitions (Note 4)	-	-	-
Currency translation	1,609	(35)	1,574
Ending balance	<u>\$ 379,016</u>	<u>\$ 355,225</u>	<u>\$ 734,241</u>

We evaluate the carrying value of goodwill in the fourth quarter of each fiscal year and between annual evaluations if events occur or circumstances change that would indicate a possible impairment. The Company performed a goodwill impairment assessment for all of its reporting units during the fourth quarter of fiscal 2019. No indicators of impairment were identified as part of our assessment.

No triggering events were identified during the six months ended December 31, 2019. There has been no impairment of goodwill since the adoption of Financial Accounting Standards Board ("FASB") ASC 350 guidance for goodwill and other intangibles on July 1, 2002.

8

[Table of Contents](#)**Note 4. Acquisitions:**

We periodically complete business combinations that align with our business strategy. Acquisitions are accounted for using the acquisition method of accounting, which requires, among other things, that assets acquired and liabilities assumed be recognized at fair value as of the acquisition date and the results of operations of each acquired business are included in our consolidated statements of comprehensive income from their respective dates of acquisition. Acquisition costs are recorded in selling, general and administrative expenses as incurred.

*B-MoGen Biotechnologies*

On June 4, 2019, the Company acquired the remaining interest in B-MoGen Biotechnologies Inc. (B-MoGen) for approximately \$17.4 million, net of cash acquired, plus contingent consideration of up to \$38.0 million, subject to certain product development milestones and revenue thresholds. The Company previously held an investment of \$1.4 million in B-MoGen and recognized a gain of approximately \$3.7 million on the date of the transaction representing the adjustment of our historical investment to its fair value as previously disclosed in our 10K/A. The goodwill recorded as result of the acquisition represents the strategic benefits of growing the Company's product portfolio and the expected revenue growth from increased market penetration. The goodwill is not deductible for income tax purposes. The business became part of the Protein Sciences reportable segment in the fourth quarter of fiscal year 2019.

Certain estimated fair values are not yet finalized and are subject to change, which could be significant. The Company expects to finalize our purchasing accounting by the end of the third quarter of fiscal year 2020 when we have finalized our income tax assessment of acquired net operating losses (NOLs) with the completion of the stub period tax returns. Amounts for deferred tax liabilities, acquired NOLs, and goodwill remain subject to change. The preliminary estimated fair values of the assets acquired and liabilities assumed are as follows (in thousand's):

	<i>Preliminary Allocation at Acquisition Date</i>
Current assets, net of cash	\$ 504
Equipment and other long-term assets	269
Intangible assets:	
Developed technology	14,000
Customer relationships	400
Goodwill	16,457
Total assets acquired	31,630
Liabilities	211
Deferred income taxes, net	3,377
Net assets acquired	<u>\$ 28,042</u>
Cash paid, net of cash acquired	\$ 17,448
Fair value of contingent consideration	5,500
Fair value of historical investment in B-MoGen	5,094
Net assets acquired	<u>\$ 28,042</u>

Tangible assets and liabilities acquired were recorded at fair value on the date of close based on management's assessment. The purchase price allocated to developed technology was estimated based on management's forecasted cash inflows and outflows and using a multi-period excess earnings method to calculate the fair value of assets purchased. The amount recorded for developed technology is being amortized with the expense reflected in cost of goods sold in the Condensed Consolidated Statement of Earnings and Comprehensive Income. The amortization period for developed technology is estimated to be 14 years. The net deferred income tax liability represents the net amount of the estimated future impact of adjustments for costs to be recognized as intangible asset amortization, which is not deductible for income tax purposes offset by the deferred tax asset for the preliminary calculation of acquired NOLs.

[Table of Contents](#)

**Note 5. Fair Value Measurements:**

The Company's financial instruments include cash and cash equivalents, available for sale investments, derivative instruments, accounts receivable, accounts payable, contingent consideration obligations, and long-term debt.

Fair value is defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. This standard also establishes a hierarchy for inputs used in measuring fair value. This standard maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs market participants would use in valuing the asset or liability based on market data obtained from independent sources. Unobservable inputs are inputs that reflect our assumptions about the factors market participants would use in valuing the asset or liability based upon the best information available in the circumstances.

The categorization of financial assets and liabilities within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The hierarchy is broken down into three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs (other than quoted prices) that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable for the asset or liability and their fair values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable. Level 3 may also include certain investment securities for which there is limited market activity or a decrease in the observability of market pricing for the investments, such that the determination of fair value requires significant judgment or estimation.

The following tables provide information by level for financial assets and liabilities that are measured at fair value on a recurring basis (in thousands):

	Total carrying value as of December 31, 2019	Fair Value Measurements Using Inputs Considered as		
		Level 1	Level 2	Level 3
<b>Assets</b>				
Equity securities <sup>(1)</sup>	\$ 100,006	\$ 94,432	\$ 5,574	\$ -
Certificates of deposit <sup>(2)</sup>	33,651	33,651	-	-
Total assets	\$ 133,657	\$ 128,083	\$ 5,574	\$ -
<b>Liabilities</b>				
Contingent consideration	\$ 12,555	\$ -	\$ -	\$ 12,555
Derivative instruments - cash flow hedges	11,273	-	11,273	-
Total liabilities	\$ 23,828	\$ -	\$ 11,273	\$ 12,555

	Total carrying value as of June 30, 2019	Fair Value Measurements Using Inputs Considered as		
		Level 1	Level 2	Level 3
<b>Assets</b>				
Equity securities <sup>(1)</sup>	\$ 38,219	\$ 38,219	\$ -	\$ -
Certificates of deposit <sup>(2)</sup>	26,928	26,928	-	-
Total assets	\$ 65,147	\$ 65,147	\$ -	\$ -
<b>Liabilities</b>				
Contingent consideration	\$ 12,600	\$ -	\$ -	\$ 12,600
Derivative instruments - cash flow hedges	12,458	-	12,458	-
Total liabilities	\$ 25,058	\$ -	\$ 12,458	\$ 12,600

- (1) Included in available-for-sale investments on the condensed consolidated balance sheet. The cost basis in the Company's investment in ChemoCentryx Inc (CCXI) was \$11.3 million and \$18.8 million as of December 31, 2019 and June 30, 2019, respectively. The Company has a warrant to purchase additional CCXI equity shares which was valued at \$5.6 million as of December 31, 2019. The fair value of the warrant as of June 30, 2019 was not material.
- (2) Included in available-for-sale investments on the condensed consolidated balance sheet. The certificate of deposits have contractual maturity dates within one year.

*Fair value measurements of available for sale securities*

Available for sale securities excluding warrants are measured at fair value using quoted market prices in active markets for identical assets and are therefore classified as Level 1 assets. The Company's warrant to purchase additional shares at a specified future price was valued using a Black-Scholes model with observable inputs in active markets and therefore was classified as a Level 2 asset.

*Fair value measurements of derivative instruments*

In October 2018, the Company entered into forward starting swaps designated as cash flow hedges on outstanding debt. The forward starting swaps reduce the variability of cash flow payments for the Company by converting the variable interest rate on the Company's long-term debt described in Note 6 to that of a fixed interest rate. Accordingly, as part of the forward starting swaps, the Company will exchange, at specified intervals, the difference between floating and fixed interest amounts based on \$380 million of notional principal amount. The change in the fair value of the instrument is reported as a component of the other comprehensive income and reclassified into interest expense over the corresponding term of the cash flow hedge. As further described in Note 8, the company reclassified \$0.8 million out of other comprehensive income into interest expense during the quarter and six months ended December 31, 2019. The liability related to the derivative instrument was recorded within Other long-term liabilities on the Consolidated Balance Sheet. The instrument was valued using observable market inputs in active markets and therefore classified as a Level 2 liability.



[Table of Contents](#)*Fair value measurements of contingent consideration*

In connection with the Exosome Diagnostics, Inc. (Exosome), QT Holdings Corporation (Quad), and B-MoGen acquisitions the Company is required to make contingent consideration payments of up to \$325.0 million, \$51.0 million and \$38.0 million, respectively. The contingent consideration payments are subject to Exosome achieving certain EBITA thresholds, Quad meeting certain product development milestones and revenue thresholds, and B-Mogen meeting certain product development milestones and revenue thresholds. The preliminary fair value of the liabilities for the contingent payments recognized upon the acquisition as part of the purchase accounting opening balance sheet totaled \$14.6 million (\$3.8 million for Exosome, \$5.3 million for Quad, and \$5.5 million for B-MoGen). The preliminary fair value of the development milestone payments was estimated by discounting to present value the probability-weighted contingent payments expected to be made. Assumptions used in these calculations were probability of success, duration of the earn-out, and discount rate. The preliminary fair value for the EBITA and revenue milestone payments was determined using a Monte Carlo simulation based model discounted to present value. Assumptions used in these calculation included units sold, expected revenue, expected expenses, discount rate and various probability factors. The ultimate settlement of contingent consideration could deviate from current estimates based on the actual results of these financial measures. This liability is considered to be a Level 3 financial liability that is re-measured each reporting period. The change in fair value of contingent consideration for these acquisitions is included in general and administrative expense.

The following table presents a reconciliation of the liability measured at fair value on a recurring basis using significant unobservable inputs (Level B) for the quarter and six months ended December 31, 2019 (in thousands):

	<i>Quarter Ended</i> <i>December 31, 2019</i>	<i>Six Months Ended</i> <i>December 31, 2019</i>
Fair value at the beginning of period	\$ 13,300	\$ 12,600
Change in fair value of contingent consideration	(600)	100
Payments	(145)	(145)
Fair value at the end of period	<u>\$ 12,555</u>	<u>\$ 12,555</u>

The use of different assumptions, applying different judgment to matters that inherently are subjective and changes in future market conditions could result in different estimates of fair value of our securities or contingent consideration, currently and in the future. If market conditions deteriorate, we may incur impairment charges for securities in our investment portfolio. We may also incur changes to our contingent consideration liability as discussed below.

*Fair value measurements of other financial instruments*— The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate fair value.

Cash and cash equivalents, certificates of deposit, accounts receivable, and accounts payable – The carrying amounts reported in the consolidated balance sheets approximate fair value because of the short-term nature of these items.

Long-term debt – The carrying amounts reported in the consolidated balance sheets for the amount drawn on our line-of-credit facility approximates fair value because our interest rate is variable and reflects current market rates.

**Note 6. Debt and Other Financing Arrangements:**

On August 1, 2018, the Company entered into a new revolving line-of-credit and term loan governed by a Credit Agreement (the Credit Agreement). The Credit Agreement provides for a revolving credit facility of \$600.0 million, which can be increased by an additional \$200.0 million subject to certain conditions, and a term loan of \$250.0 million. Borrowings under the Credit Agreement may be used for working capital and expenditures of the Company and its subsidiaries, including financing permitted acquisitions. Borrowings under the Credit Agreement bear interest at a variable rate. The current outstanding debt is based on the Eurodollar Loans term for which the interest rate is calculated as the sum of LIBOR plus an applicable margin. The applicable margin is determined from the total leverage ratio of the Company and updated on a quarterly basis. The annualized fee for any unused portion of the credit facility is currently 20 basis points.

The Credit Agreement matures on August 1, 2023 and contains customary restrictive and financial covenants and customary events of default. As of December 31, 2019, the outstanding balance under the Credit Agreement was \$383.3 million.

[Table of Contents](#)**Note 7. Leases:**

As a lessee, the company leases offices, labs, and manufacturing facilities, as well as vehicles, copiers, and other equipment. The Company adopted ASUNo. 2016-02 and related standards (collectively ASC 842, *Leases*), which replaced previous lease accounting guidance, on July 1, 2019.

The Company recognizes operating lease expense on a straight-line basis over the lease term. Operating lease right-of-use assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The discount rate used to calculate present value is Bio-Techne's incremental borrowing rate or, if available, the rate implicit in the lease. Bio-Techne determines the incremental borrowing rate for each lease based primarily on its lease term and the economic environment of the applicable country or region. During the quarter and six months ended December 31, 2019, the Company recognized \$0.9 million and \$1.9 million in variable lease expense, respectively, in the Condensed Consolidated Statements of Earnings and Comprehensive Income. During the quarter and six months ended December 31, 2019, the Company also recognized \$3.1 million and \$6.3 million, respectively relating to fixed lease expense in the Condensed Consolidated Statements of Earnings and Comprehensive Income.

The following table summarizes the balance sheet classification of the Company's operating leases, amounts of right of use assets and lease liabilities, the weighted average remaining lease term, and the weighted average discount rate for the Company's operating leases (asset and liability amounts are in thousands):

	<i>Balance Sheet Classification</i>	<i>As of: December 31,</i> <i>2019</i>
Operating leases:		
Operating lease right of use assets	Right of Use Asset	\$ 75,824
Current operating lease liabilities	Operating lease liabilities current	\$ 9,398
Noncurrent operating lease liabilities	Operating lease liabilities	71,693
Total operating lease liabilities		<u>\$ 81,091</u>
Weighted average remaining lease term (in years):		9.11
Weighted average discount rate:		4.25%

The following table summarizes the cash paid for amounts included in the measurement of operating lease liabilities and right of use assets obtained in exchange for new operating lease liabilities for the three months ended (in thousands):

	Six months ended December 31, 2019
Cash amounts paid on operating lease liabilities <sup>(1)</sup>	\$ 6,386
Right of use assets obtained in exchange for lease liabilities	1,390

(1) Total cash paid for the Company's operating leases during these six months ended December 31, 2019 include cash amounts paid on operating lease liabilities and variable lease expenses. Cash flow impacts from right of use assets and lease liabilities are presented net on the cash flow statement in changes in other operating activity.

The following table summarizes the fair value of the lease liability by payment date for the Company's operating leases by fiscal year (in thousands):

	Operating Leases
Remainder of 2020	\$ 4,632
2021	9,267
2022	9,201
2023	8,890
2024	8,304
Thereafter	40,797
Total	\$ 81,091

Certain leases include one or more options to renew, with terms that extend the lease term up to five years. Bio-Techne includes option to renew the lease as part of the right of use lease asset and liability when it is reasonably certain the Company will exercise the option. In addition, certain leases contain fair value purchase and termination options with an associated penalty. In general, Bio-Techne is not reasonably certain to exercise such options.

**Disclosures related to periods prior to adoption of new lease standard:**

At June 30, 2019, aggregate net minimum rental commitments under non-cancelable leases having an initial or remaining term of more than one year are payable as follows (in thousands):

	Operating Leases
2020	\$ 13,707
2021	13,469
2022	13,154
2023	12,716
2024	11,392
Thereafter	51,895
Total	\$ 116,333

Total rent expense was approximately \$12.9 million, \$10.8 million, and \$9.8 million for the years ended June 30, 2019, 2018, and 2017, respectively.

[Table of Contents](#)

**Note 8. Supplemental Equity and Accumulated Other Comprehensive Income (Loss):**

*Supplemental Equity*

The Company has declared cash dividends per share of \$0.32 and \$0.64 in both the three and six month periods ended December 31, 2019 and 2018, respectively.

*Consolidated Changes in Equity (amounts in thousands)*

	Common Stock		Additional	Retained	Accumulated	Total
	Shares	Amount	Paid-in Capital	Earnings	Other Comprehensive Income(Loss)	
<b>Balances at June 30, 2019</b>	<b>37,934</b>	<b>\$ 379</b>	<b>\$ 316,797</b>	<b>\$ 931,934</b>	<b>\$ (83,521)</b>	<b>\$ 1,165,589</b>
Cumulative effect adjustments due to adoption of new accounting standards and other				(879)		(879)
Net earnings				14,398		14,398
Other comprehensive income (loss)					(8,106)	(8,106)
Common stock issued for exercise of options	94	1	7,854			7,855
Common stock issued for restricted stock awards	50	0	(0)	(1,926)		(1,926)
Cash dividends				(12,169)		(12,169)
Stock-based compensation expense			8,267			8,267
Common stock issued to employee stock purchase plan	6	0	1,096			1,096
Employee stock purchase plan expense			99			99
<b>Balances at September 30, 2019</b>	<b>38,084</b>	<b>\$ 381</b>	<b>\$ 334,112</b>	<b>\$ 931,358</b>	<b>\$ (91,627)</b>	<b>\$ 1,174,224</b>
Net earnings				119,622		119,622
Other comprehensive income (loss)					13,275	13,275
Common stock issued for exercise of options	195	2	18,293			18,295
Common stock issued for restricted stock awards	4	0	(0)			0
Cash dividends				(12,197)		(12,197)
Stock-based compensation expense			10,017			10,017

Common stock issued to employee stock purchase plan

	Common Stock		Additional	Retained	Accumulated	Total
	Shares	Amount	Paid-in Capital	Earnings	Other Comprehensive Income(Loss)	
<b>Employee stock purchase plan</b>			112			112
<b>Balance at December 31, 2019</b>	<u>38,283</u>	<u>\$ 383</u>	<u>\$ 362,534</u>	<u>\$ 1,038,783</u>	<u>\$ (78,352)</u>	<u>\$ 1,323,348</u>
<b>Balances at June 30, 2018</b>	<u>37,608</u>	<u>\$ 376</u>	<u>\$ 246,568</u>	<u>\$ 876,931</u>	<u>\$ (44,814)</u>	<u>\$ 1,079,061</u>
Cumulative effect adjustments due to adoption of new accounting standards and other				25,276	(24,682)	594
Net earnings				17,403		17,403
Other comprehensive income (loss)					(1,136)	(1,136)
Common stock issued for exercise of options	166	2	15,609			15,611
Common stock issued for restricted stock awards	24	0		(2,405)		(2,405)
Cash dividends				(12,066)		(12,066)
Stock-based compensation expense			11,327			11,327
Common stock issued to employee stock purchase plan	5	0	842			842
Employee stock purchase plan expense			238			238
<b>Balances at September 30, 2018</b>	<u>37,803</u>	<u>\$ 378</u>	<u>\$ 274,584</u>	<u>\$ 905,139</u>	<u>\$ (70,632)</u>	<u>\$ 1,109,469</u>
Net earnings				17,556		17,556
Other comprehensive income (loss)					(12,379)	(12,379)
Share repurchases	(95)	(1)		(15,404)		(15,404)
Common stock issued for exercise of options	24		2,408			2,408
Common stock issued for restricted stock awards	3	0				-
Cash dividends				(12,086)		-
Stock-based compensation expense			6,784			6,784
Common stock issued to employee stock purchase plan	0	0				-
Employee stock purchase plan expense			77			77
<b>Balances at December 31, 2018</b>	<u>37,735</u>	<u>\$ 377</u>	<u>\$ 283,854</u>	<u>\$ 895,205</u>	<u>\$ (83,011)</u>	<u>\$ 1,096,425</u>

*Accumulated Other Comprehensive Income*

The components of other comprehensive income (loss) consist of changes in foreign currency translation adjustments and changes in net unrealized gains (losses) on derivative instruments designated as cash flow hedges entered into in the second quarter of fiscal 2019. There were no reclassifications of gains (losses) from accumulated other comprehensive income (loss) to earnings during the six months ended December 31, 2019 and 2018.

The accumulated balances related to each component of other comprehensive income (loss), net of tax, are summarized as follows:

	<i>Gains (Losses) on Derivative Instruments</i>	<i>Foreign Currency Translation Adjustments</i>	<i>Total</i>
Balance as of June 30, 2019	\$ (9,537)	\$ (73,983)	\$ (83,521)
Other comprehensive income (loss), net of tax before reclassifications	275	4,264	4,539
Reclassification of loss on derivatives to interest expense, net of taxes <sup>(3)</sup>	629	-	629
Balance as of December 31, 2019 <sup>(1)(3)</sup>	<u>\$ (8,633)</u>	<u>\$ (69,719)</u>	<u>\$ (78,352)</u>

	<i>Gains (Losses) on Derivative Instruments</i>	<i>Foreign Currency Translation Adjustments</i>	<i>Total</i>
Balance as of June 30, 2018 <sup>(2)</sup>	\$ -	\$ (69,496)	\$ (69,496)
Other comprehensive income (loss), net of tax before reclassifications	(3,915)	(9,600)	(13,515)
Balance as of December 31, 2018 <sup>(3)</sup>	<u>\$ (3,915)</u>	<u>\$ (79,096)</u>	<u>\$ (83,011)</u>

(1) The gain (loss) on the interest rate swap will be reclassified into interest expense as payments on the derivative agreement are made. Approximately (\$,842) of the (\$8,633) will be reclassified into earnings in the 12 months subsequent to December 31, 2019.

(2) As previously disclosed in our 10-K/A, unrealized gains of \$24,682 on available-for-sale investments with readily determinable fair values were included in the June 30, 2018 Consolidated Balance Sheet and were reclassified into retained earnings at the beginning of fiscal 2019 upon our adoption of ASU 2016-01 and ASU 2018-02. The amounts presented in accumulated other comprehensive income as of June 30, 2018 exclude these unrealized gains subsequently reclassified into retained earnings.

(3) The Company reclassified (\$821) to interest expense and a related tax benefit tax of \$192 during the six months ended December 31, 2019. The Company had deferred tax benefits of \$2,640 and \$1,216 included in the accumulated other comprehensive income loss as of December 31, 2019 and December 31, 2018, respectively.

14

**Note 9. Earnings Per Share:**

The following table reflects the calculation of basic and diluted earnings per share (in thousands, except per share amounts):

	<i>Quarter Ended December 31,</i>		<i>Six Months Ended December 31,</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
<b>Earnings per share – basic:</b>				
Net income	\$ 119,622	\$ 17,556	\$ 134,018	\$ 34,958
Income allocated to participating securities	(172)	(18)	(258)	(34)
Income available to common shareholders	<u>\$ 119,450</u>	<u>\$ 17,538</u>	<u>\$ 133,760</u>	<u>\$ 34,924</u>
Weighted-average shares outstanding – basic	38,167	37,766	38,100	37,732
Earnings per share – basic	\$ 3.13	\$ 0.46	\$ 3.51	\$ 0.93
<b>Earnings per share – diluted:</b>				
Net income	\$ 119,622	\$ 17,556	\$ 134,018	\$ 34,958
Income allocated to participating securities	(172)	(18)	(258)	(34)
Income available to common shareholders	<u>\$ 119,450</u>	<u>\$ 17,538</u>	<u>\$ 133,760</u>	<u>\$ 34,924</u>
Weighted-average shares outstanding – basic	38,167	37,766	38,100	37,732
Dilutive effect of stock options and restricted stock units	1,383	982	1,270	1,050
Weighted-average common shares outstanding – diluted	<u>39,550</u>	<u>38,748</u>	<u>39,370</u>	<u>38,782</u>
Earnings per share – diluted	\$ 3.02	\$ 0.45	\$ 3.40	\$ 0.90

The dilutive effect of stock options and restricted stock units in the above table excludes all options for which the aggregate exercise proceeds exceeded the average market price for the period. The number of potentially dilutive option shares excluded from the calculation was 1.3 million and 1.3 million for the quarter ended December 31, 2019 and 2018, respectively and 1.3 million and 1.3 million for the six months ended December 31, 2019 and 2018 respectively.

**Note 10. Share-based Compensation:**

During the six months ended December 31, 2019 and 2018, the Company granted 0.7 million and 0.9 million stock options at weighted average grant prices of \$190.73 and \$174.10 and weighted average fair values of \$37.00 and \$34.69, respectively. During the six months ended December 31, 2019 and 2018, the Company granted 30,858 and 53,903 restricted stock units at a weighted average fair value of \$92.08 and \$170.74, respectively. During the six months ended December 31, 2019 and 2018, the Company granted 15,398 and 14,887 shares of restricted common stock shares at a weighted average fair value of \$93.48 and \$125.05.

Stock options for 287,595 and 189,627 shares of common stock with total intrinsic values of \$5.3 million and \$16.3 million were exercised during the six months ended December 31, 2019 and 2018, respectively.

Stock-based compensation expense of \$10.1 million and \$6.9 million was included in selling, general and administrative expenses for the quarter ended December 31, 2019 and 2018, respectively. Stock-based compensation expense of \$18.5 million and \$18.4 million was included in selling, general, and administrative expenses for the six months ended December 31, 2019 and 2018, respectively. Additionally, the company recognized \$0.5 million and \$0.9 million in cost of goods sold in the quarter and six months ended December 31, 2019 respectively. As of December 31, 2019, there was \$38.2 million of unrecognized compensation cost related to non-vested stock options, non-vested restricted stock units and non-vested restricted stock. The weighted average period over which the compensation cost is expected to be recognized is 2.1 years.

**Note 11. Other Income / (Expense):**

The components of other income (expense) in the accompanying Statement of Earnings and Comprehensive Income are as follows:

	Quarter Ended December 31,		Six Months December 31,	
	2019	2018	2019	2018
Interest expense	(4,872)	\$ (5,759)	(10,094)	\$ (10,997)
Interest income	231	114	341	216
Other non-operating income (expense), net <sup>(1)</sup>	117,975	(6,191)	107,565	(9,231)
Total other income (expense)	<u>113,334</u>	<u>\$ (11,836)</u>	<u>97,812</u>	<u>\$ (20,012)</u>

(1) The changes in other non-operating income (expense) were driven by changes in the fair value of our CCXI investment as further described in Note 5 above.

15

[Table of Contents](#)

**Note 12. Income Taxes:**

The Company's effective income tax rate for the second quarter of fiscal 2020 and 2019 was 20.4% and 19.3% of consolidated earnings before income taxes, and 20.3% and 11.2% for the first six months of fiscal 2020 and 2019, respectively. The change in the company's tax rate for the quarter and six months ended December 31, 2019 compared to the quarter and six months ended December 31, 2018 were driven by changes in the composition and amount of the Company's taxable income in fiscal 2020 resulting from the gain on our CCXI investment and discrete tax items.

The Company recognized total net benefits related to discrete tax items of \$5.4 million and \$6.7 million during the quarter and six months ended December 31, 2019, respectively, compared to \$1.1 million and \$5.3 million during the quarter and six months ended December 31, 2018, respectively. Share-based compensation excess tax benefit contributed \$3.7 million and \$7.0 million in the quarter and six months ended December 31, 2019, respectively, compared to \$0.3 million and \$3.7 million in the quarter and six months, ended December 31, 2018, respectively. The Company recognized total other immaterial net discrete tax benefits of \$1.7 million in the quarter ended December 31, 2019 and a net discrete tax expense of \$0.3 million in the six months ended December 31, 2019 compared to \$0.8 million and \$1.6 million of other immaterial net discrete tax benefits in the quarter and six months ended December 31, 2018, respectively.

The Company continues to monitor changes in interpretations, assumptions guidance, and additional regulations regarding the Tax Cuts and Jobs Act (the "Tax Act"), which was enacted on December 22, 2017. The Company recognizes potential changes to these items could have a material impact on our effective tax rate in future periods.

**Note 13. Segment Information:**

The Company's management evaluates segment operating performance based on operating income before certain charges to cost of sales and selling, general and administrative expenses, principally associated with acquisition accounting related to inventory, amortization of acquisition-related intangible assets and other acquisition-related expenses. The Protein Sciences and Diagnostics and Genomics segments both include consumables, instruments, services and royalty revenue.

The following is financial information relating to the Company's reportable segments (in thousands):

	Quarter Ended December 31,		Six Months Ended December 31,	
	2019	2018	2019	2018
<b>Net sales:</b>				
Protein Sciences	\$ 141,517	\$ 135,462	\$ 282,512	\$ 261,852
Diagnostics and Genomics	43,846	39,263	86,397	76,010
Intersegment	(429)	(215)	(732)	(382)
Consolidated net sales	<u>\$ 184,934</u>	<u>\$ 174,510</u>	<u>\$ 368,177</u>	<u>\$ 337,480</u>
<b>Operating income:</b>				
Protein Sciences	\$ 60,872	\$ 58,951	\$ 120,410	\$ 113,565
Diagnostics and Genomics	975	(1,054)	1,875	1,482
Segment operating income	\$ 61,847	\$ 57,897	\$ 122,285	\$ 115,047
Costs recognized on sale of acquired inventory	-	(935)	-	(1,869)
Amortization of acquisition related intangible assets	(15,108)	(15,002)	(30,008)	(29,278)
Acquisition related expenses	881	(348)	(429)	(2,973)
Stock based compensation	(10,618)	(6,861)	(19,418)	(18,426)
Corporate general, selling, and administrative expenses	(12)	(1,148)	(2,113)	(3,137)
Consolidated operating income	<u>\$ 36,992</u>	<u>\$ 33,603</u>	<u>\$ 70,317</u>	<u>\$ 59,364</u>

**Note 14. Subsequent Events:**

None.

16

[Table of Contents](#)

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management discussion and analysis ("MD&A") provides information that we believe is useful in understanding our operating results, cash flows and financial condition. We provide quantitative information about the material sales drivers including the effect of acquisitions and changes in foreign currency at the corporate and segment level. We also provide quantitative information about discrete tax items and other significant factors we believe are useful for understanding our results. The MD&A should be read in conjunction with both the unaudited consolidated financial information and related notes included in this Form 10-Q, and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended June 30, 2019. This discussion contains various "Non-GAAP Financial Measures" and also contains various "Forward-Looking Statements" within the meaning of the Private Securities Litigation Reform Act of 1995. We refer readers to the statements entitled "Non-GAAP Financial Measures" and "Forward-Looking Information and Cautionary Statements" located at the

end of Item 2 of this report.

## OVERVIEW

Bio-Techne and its subsidiaries, collectively doing business as Bio-Techne Corporation (Bio-Techne, we, our, us or the Company) develop, manufacture and sell biotechnology reagents, instruments and services for the research and clinical diagnostic markets worldwide. With our deep product portfolio and application expertise, we strive to provide the life sciences community with innovative, high-quality scientific tools to better understand biological processes and drive discovery of diagnostic and therapeutic products.

Consistent with above, we have operated with two segments – our Protein Sciences segment and our Diagnostics and Genomics segment during fiscal year 2020. Our Protein Sciences segment is a leading developer and manufacturer of high-quality purified proteins and reagent solutions, most notably cytokines and growth factors, antibodies, immunoassays, biologically active small molecule compounds, tissue culture reagents and T-Cell activation technologies. This segment also includes protein analysis solutions that offer researchers efficient and streamlined options for automated western blot and multiplexed ELISA workflow. Our Genomics and Diagnostics segment develops and manufactures diagnostic products, including FDA-regulated controls, calibrators, blood gas and clinical chemistry controls and other reagents for OEM and clinical customers, as well as a portfolio of clinical molecular diagnostic oncology assays, including the ExoDx®Prostate(IntelliScore) test for prostate cancer diagnosis. This segment also manufactures and sells advanced tissue-based in-situ hybridization assays (ISH) for research and clinical use.

## RECENT ACQUISITIONS

A key component of the Company's strategy is to augment internal growth at existing businesses with complementary acquisitions. The Company did not make any acquisitions in the six months ended December 31, 2019. Refer to the prior year Annual Report on form 10-K for additional disclosure regarding the Company's recent acquisitions.

## RESULTS OF OPERATIONS

Consolidated net sales increased 6% and 9% for the quarter and six months ended December 31, 2019 compared to the same prior year periods. Organic growth for the quarter and six months ended December 31, 2019 was 6% and 9%, respectively, compared to the same prior year periods, with acquisitions contributing 1% and foreign currency translation having an unfavorable impact of 1% in both comparative periods.

Consolidated net earnings increased to \$119.6 million and \$134.0 million for the quarter and six months ended December 31, 2019, respectively, as compared to \$17.6 million and \$35.0 million in the same prior year periods, which are attributable to current period gains on available-for-sale investments (approximately \$121 million and \$110 million for the quarter and six months ended December 31, 2019, respectively).

### Net Sales

Consolidated net sales for the quarter and six months ended December 31, 2019 were \$184.9 million and \$368.2 million, respectively, an increase of 6% and 9% from the same prior year periods. Organic growth for the quarter and six months ended December 31, 2019 was 6% and 9%, respectively, compared to the same prior year periods, with acquisitions contributing 1% and foreign currency translation having an unfavorable impact of 1% in both comparative periods.

For the quarter and six months ended December 31, 2019 the Company experienced broad based revenue growth in North America across end markets with China achieving organic revenue growth in excess of 20%.

## [Table of Contents](#)

### Gross Margins

Consolidated gross margins for the quarter and six months ended December 31, 2019 were 65.6% and 65.1% respectively, compared to 64.8% and 65.4% for the same prior year periods. Under purchase accounting, inventory is valued at fair value less expected selling and marketing costs, resulting in reduced margins in future periods as the inventory is sold. Excluding the impact of acquired inventory sold, stock compensation expense, and amortization of intangibles, adjusted gross margins quarter and six months ended December 31, 2019 were 70.6% and 70.0% , respectively compared to 70.9% and 71.4% for the quarter and six months ended December 31, 2018, respectively. Both consolidated gross margins and non-GAAP adjusted gross margins were negatively impacted by unfavorable product mix and foreign exchange rates as compared to the prior year.

A reconciliation of the reported consolidated gross margin percentages, adjusted for acquired inventory sold and intangible amortization included in cost of sales, is as follows:

	Quarter Ended December 31,		Six Months Ended December 31,	
	2019	2018	2019	2018
Consolidated gross margin percentage	65.6%	64.8%	65.1%	65.4%
Identified adjustments:				
Costs recognized upon sale of acquired inventory	-	0.5%	-	0.6%
Amortization of intangibles	4.7%	5.6%	4.7%	5.4%
Stock compensation expense - COGS	0.3%	-	0.2%	-
Non-GAAP adjusted gross margin percentage	70.6%	70.9%	70.0%	71.4%

### Selling, General and Administrative Expenses

Selling, general and administrative expenses increased \$4.4 million (7%) and \$6.4 million (5%) for the quarter and six months ended December 31, 2019, respectively, from the same prior year periods. Selling, general, and administrative expense for both the quarter and six months ended December 31, 2019 was impacted by additional employees to scale our businesses. Additionally, selling, general, and administrative expense for the quarter ended December 31, 2019 was impacted by the timing of stock compensation expense from certain new vesting requirements added to the fiscal 2020 stock awards issued in the first quarter.

### Research and Development Expenses

Research and development expenses increased \$0.6 Million (4%) and \$1.9 million (6%), for the quarter and six month periods ended December 31, 2019, respectively, from the same prior year periods. The increases were driven by recent acquisitions.

### Segment Results

#### Protein Sciences

Quarter Ended

Six Months Ended

	December 31,		December 31,	
	2019	2018	2019	2018
Net sales (in thousands)	\$ 141,517	\$ 135,462	\$ 282,512	\$ 261,852
Operating income margin percentage	43.0%	43.5%	42.6%	43.4%

Protein Science's net sales for the quarter and six months ended December 31, 2019 were \$141.5 million and \$282.5 million, respectively, with reported growth of 4% and 8% compared to the same prior year periods. Organic growth for the quarter and six months ended December 31, 2019 were 4% and 8%, respectively, with acquisitions contributing 1% and currency exchange having an unfavorable impact of 1%. Overall segment growth was driven by consumable products and strong revenue growth in China.

The operating margin for the quarter and six months ended December 31, 2019 were 43.0% and 42.6%, respectively, compared to 43.5% and 43.4% for the same prior year periods. Operating income margin was negatively impacted for both comparative periods by the acquisition of B-Mogen in Q4 of FY19 and unfavorable foreign exchange.

18

[Table of Contents](#)

*Diagnostics and Genomics*

	Quarter Ended December 31,		Six Months Ended December 31,	
	2019	2018	2019	2018
Net sales (in thousands)	\$ 43,846	\$ 39,263	\$ 86,397	\$ 76,010
Operating income margin percentage	2.2%	(2.7)%	2.2%	1.9%

Diagnostics and Genomics' net sales for the quarter and six months ended December 31, 2019 were \$43.9 million and \$86.4 million, respectively, compared to \$39.3 million and \$76.0 million for the same prior year period. Organic growth for the quarter and six months ended December 31, 2019 was 12% and 14%, respectively, with currency exchange having an immaterial impact. Overall segment revenue growth was driven by strong growth in our *RNA scope*, *BaseScope*, and hematology products lines.

The operating margin for the segment was 2.2% for the quarter and six months ended December 31, 2019 compared to (2.7)% and 1.9%, respectively, for the quarter and six months ended December 31, 2018. Operating income margin was favorably impacted in both comparative periods by volume leverage.

**Income Taxes**

Income taxes were at an effective rate of 20.4% and 20.3% of consolidated earnings for the quarter and six month period ended December 31, 2019, respectively, compared to 19.3% and 11.2% for the same prior year periods. The change in the Company's tax rate for the quarter and six months ended December 31, 2019 was driven by the composition and amount of net income across periods and the impact of discrete tax items of \$5.4 million and \$6.7 million, respectively, compared to prior year discrete tax items of \$1.1 million and \$5.3 million as further discussed in Note 12.

The forecasted tax rate as of the second fiscal quarter of 2020 before discrete items is 26.2% compared to the prior year forecasted tax rate before discrete items of 24.6%. Excluding the impact of discrete items, the Company expects the consolidated income tax rate for the remainder of fiscal 2020 to range from 24% to 28%.

**Net Earning**

Non-GAAP adjusted consolidated net earnings are as follows:

	Quarter Ended December 31,		Six Months Ended December 31,	
	2019	2018	2019	2018
Net earnings	\$ 119,622	\$ 17,556	\$ 134,018	\$ 34,958
Identified adjustments:				
Costs recognized upon sale of acquired inventory	-	935	-	1,869
Amortization of acquisition intangibles	15,108	15,002	30,008	29,278
Acquisition related expenses	(787)	442	617	3,158
Stock based compensation, inclusive of employer taxes	10,618	6,861	19,418	18,431
Realized (gain)loss on investments and Other	(120,449)	7,170	(110,047)	9,372
Tax impact of above adjustments	24,132	(5,649)	17,151	(12,361)
Tax impact of discrete tax items	(5,384)	(1,110)	(6,655)	(5,286)
Non-GAAP adjusted net earnings	\$ 42,860	\$ 41,207	\$ 84,510	\$ 79,419
Non-GAAP adjusted net earnings growth	4.0%	6.1%	6.4%	5.8%

19

[Table of Contents](#)

Depending on the nature of discrete tax items, our reported tax rate may not be consistent on a period to period basis. The Company independently calculates a non-GAAP adjusted tax rate considering the impact of discrete items and jurisdictional mix of the identified non-GAAP adjustments. The following table summarizes the reported GAAP tax rate and the effective Non-GAAP adjusted tax rate for the quarter and six months ended December 31, 2019 and December 31, 2018.

	Quarter Ended December 31,		Six Months Ended December 31,	
	2019	2018	2019	2018
Reported GAAP tax rate	20.4%	19.3%	20.3%	11.2%
Tax rate impact of:				
Identified non-GAAP adjustments	(2.1)%	(3.4)%	(2.4)%	(2.9)%
Discrete tax items	3.6%	5.2%	4.0%	13.4%
Non-GAAP adjusted tax rate	21.9%	21.1%	21.9%	21.7%

The difference between the reported GAAP tax rate and non-GAAP tax rate applied to the identified non-GAAP adjustments for the quarter ended December 31, 2019 is primarily a result of discrete tax items, including the tax benefit of stock option exercises.

**LIQUIDITY AND CAPITAL RESOURCES**

As of December 31, 2019, cash and cash equivalents and available-for-sale investments were \$244.0 million compared to \$166.0 million as of June 30, 2019. Included in available-for-sale-investments as of December 31, 2019 was the fair value of the Company's investment in ChemoCentryx, Inc. (CCXI) of \$100.0 million. The fair value of the Company's CCXI investment at June 30, 2019 was \$38.2 million.

The Company has a line-of-credit and term loan governed by a Credit Agreement dated August 1, 2018. See Note 6 to the Condensed Consolidated Financial Statements for a description of the Credit Agreement.

The Company has contingent consideration payments of up to \$325 million, \$51 million, and \$38 million relating to the Exosome, Quad, and B-MoGen acquisitions. The fair value of the remaining payments is \$12.6 million as of December 31, 2019.

Management of the Company expects to be able to meet its cash and working capital requirements for operations, facility expansion, capital additions, and cash dividends for the foreseeable future, and at least the next 12 months, through currently available cash, cash generated from operations, and remaining credit available on its existing revolving line of credit.

#### ***Cash Flows From Operating Activities***

The Company generated cash of \$111.0 million from operating activities in the six months ended December 31, 2019 compared to \$86.0 million in the six months ended December 31, 2018. The increase from the prior year was primarily due to timing of cash payments on operating assets and liabilities.

#### ***Cash Flows From Investing Activities***

We continue to make investments in our business, including capital expenditures. During the six months ended December 31, 2019, the Company received \$50.4 million relating to selling a portion of our CCXI shares and \$18.0 million from the maturities of certificates of deposit compared to \$5.3 million from proceeds from the maturity of certificates of deposit in the six months ended December 31, 2018. Additionally, the Company did not make any cash payments for acquisitions in the six months ended December 31, 2019 compared to \$272.3 million paid in the six months ended December 31, 2019 for the Quad and ExosomeDx acquisitions.

Capital expenditures for fixed assets for the six months ended December 31, 2019 and December 31, 2018 were \$25.1 million and \$8.8 million, respectively. Capital expenditures for the remainder of fiscal 2020 are expected to be approximately \$35 million. Capital expenditures are expected to be financed through currently available funds and cash generated from operating activities.

#### ***Cash Flows From Financing Activities***

During the six months ended December 31, 2019 and December 31, 2018, the Company paid cash dividends of \$24.4 million and \$24.2 million, respectively, to all common shareholders. On February 4, 2020, the Company announced the payment of a \$0.32 per share cash dividend, or approximately \$12.2 million, will be payable February 28, 2020 to all common shareholders of record on February 14, 2020.

Cash of \$27.2 million and \$18.9 million was received during the six months ended December 31, 2019 and 2018, respectively, from the exercise of stock options.

During the six months ended December 31, 2019, the Company made payments of \$122.3 million towards the balance of its line-of-credit facility and term loan. During the six months ended December 31, 2018 the Company made payments of \$339.0 million towards the balance of its previous line-of-credit facility, borrowed \$330.0 million and \$250.0 million under its new line-of-credit facility and term loan, respectively. The Company also made payments of \$34.3 million towards the balance of its new line-of-credit facility and term loan, in the six months ended December 31, 2018.

[Table of Contents](#)

### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no reportable off-balance sheet arrangements as defined in Item 303(a)(4) of Regulation S-K.

### **CONTRACTUAL OBLIGATIONS**

Other than the contingent consideration associated with the Exosome, Quad, and B-MoGen and acquisitions, there were no material changes outside the ordinary course of business in the Company's contractual obligations during the quarter or six months ended December 31, 2019.

### **CRITICAL ACCOUNTING POLICIES**

The Company's significant accounting policies are discussed in the Company's Annual Report on Form 10-K/A for fiscal 2019 and are incorporated herein by reference. The application of certain of these policies requires judgments and estimates that can affect the results of operations and financial position of the Company. Judgments and estimates are used for, but not limited to, valuation of available-for-sale investments, inventory valuation and allowances, valuation of intangible assets and goodwill and valuation of investments in unconsolidated entities. There have been no significant changes in estimates in the quarter or six months ended December 31, 2019 that would require disclosure nor have there been any changes to the Company's policies.

### **NON-GAAP FINANCIAL MEASURES**

This Quarterly Report on Form 10-Q, including "Management's Discussion and Analysis of Financial Condition and Results of Operation" in Item 2, contains financial measures that have not been calculated in accordance with accounting principles generally accepted in the U.S. (GAAP). These non-GAAP measures include:

- Organic Growth
- Adjusted gross margin
- Adjusted net earnings
- Adjusted effective tax rate

We provide these measures as additional information regarding our operating results. We use these non-GAAP measures internally to evaluate our performance and in making financial and operational decisions, including with respect to incentive compensation. We believe that our presentation of these measures provides investors with greater transparency with respect to our results of operations and that these measures are useful for period-to-period comparison of results.

Our non-GAAP financial measure of organic growth represents revenue growth excluding revenue from acquisitions within the preceding 12 months as well as the impact of foreign currency. Excluding these measures provides more useful period-to-period comparison of revenue results as it excludes the impact of foreign currency exchange rates, which can vary significantly from period to period, and revenue from acquisitions that would not be included in the comparable prior period

Our non-GAAP financial measures for adjusted gross margin and adjusted net earnings exclude the costs recognized upon the sale of acquired inventory, amortization of

acquisition intangibles, and acquisition related expenses, inclusive of changes in the fair value of contingent consideration. The Company excludes amortization of purchased intangible assets and purchase accounting adjustments, including costs recognized upon the sale of acquired inventory and acquisition-related expenses inclusive of the changes in the fair value of contingent consideration, from this measure because they occur as a result of specific events, and are not reflective of our internal investments, the costs of developing, producing, supporting and selling our products, and the other ongoing costs to support our operating structure. Additionally, these amounts can vary significantly from period to period based on current activity.

The Company's non-GAAP adjusted net earnings also excludes stock-based compensation expense, which is inclusive the employer portion of payroll taxes of those stock awards, restructuring, impairments of equity method investments, gain and losses from investments, other non-recurring assessments and certain adjustments to income tax expense. Stock-based compensation is excluded from non-GAAP adjusted net earnings because of the nature of this charge, specifically the varying available valuation methodologies, subjective assumptions, and the variety of award types. Impairments of equity investments are excluded as they are not part of our day-to-day operating decisions. Additionally, gains and losses from other investments that are either isolated or cannot be expected to occur again with any predictability are excluded. Costs related to restructuring activities and other non-recurring assessments, including reducing overhead and consolidating facilities, are excluded because we believe they are not indicative of our normal operating costs. The Company independently calculates a non-GAAP adjusted tax rate to be applied to the identified non-GAAP adjustments considering the impact of discrete items on these adjustments and the jurisdictional mix of the adjustments. In addition, the tax impact of other discrete and non-recurring charges which impact our reported GAAP tax rate are adjusted from net earnings. We believe these tax items can significantly affect the period-over-period assessment of operating results and not necessarily reflect costs and/or income associated with historical trends and future results.

The Company periodically reassesses the components of our non-GAAP adjustments for changes in how we evaluate our performance, changes in how we make financial and operational decisions, and considers the use of these measures by our competitors and peers to ensure the adjustments are still relevant and meaningful.

21

[Table of Contents](#)

## FORWARD LOOKING INFORMATION AND CAUTIONARY STATEMENTS

This quarterly report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include those regarding the Company's expectations as to the effect of changes to accounting policies, the amount of capital expenditures for the remainder of the fiscal year, the source of funding for capital expenditure requirements, the sufficiency of currently available funds for meeting the Company's needs, the impact of fluctuations in foreign currency exchange rates, and expectations regarding gross margin fluctuations, increasing research and development expenses, increasing selling, general and administrative expenses and income tax rates. These statements involve risks and uncertainties that may affect the actual results of operations. The following important factors, among others, have affected and, in the future, could affect the Company's actual results: integration of newly acquired businesses, the introduction and acceptance of new products, general national and international economic conditions, increased competition, the reliance on internal manufacturing and related operations, the impact of currency exchange rate fluctuations, the recruitment and retention of qualified personnel, the impact of governmental regulation, maintenance of intellectual property rights, credit risk and fluctuation in the market value of the Company's investment portfolio, and unseen delays and expenses related to facility construction and improvements. For additional information concerning such factors, see the Company's Annual Report on Form 10-K for fiscal 2019 as filed with the Securities and Exchange Commission and Part II. Item 1A below.

22

[Table of Contents](#)

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of December 31, 2019, the Company held an investment in the common stock of CCXI. The investment was included in short-term available-for-sale investments at its fair value of \$100.0 million. As of December 31 2019, the potential loss in fair value due to a 10% decrease in the market value of CCXI was \$10 million.

The Company operates internationally, and thus is subject to potentially adverse movements in foreign currency exchange rates. For the quarter ended December 31, 2019, approximately 34% of consolidated net sales were made in foreign currencies, including 13% in euros, 4% in British pound sterling, 7% in Chinese yuan and the remaining 10% in other currencies. The Company is exposed to market risk mainly from foreign exchange rate fluctuations of the euro, British pound sterling, the Chinese yuan, and the Canadian dollar, as compared to the U.S. dollar as the financial position and operating results of the Company's foreign operations are translated into U.S. dollars for consolidation.

Month-end average exchange rates between the British pound sterling, euro, Chinese yuan and Canadian dollar, which have not been weighted for actual sales volume in the applicable months in the periods, to the U.S. dollar were as follows:

	Quarter Ended December 31,		Six Months Ended December 31,	
	2019	2018	2019	2018
Euro	1.11	\$ 1.14	1.11	\$ 1.15
British pound sterling	1.30	1.29	1.26	1.30
Chinese yuan	0.14	0.14	0.14	0.15
Canadian dollar	0.76	0.75	0.76	0.76

The Company's exposure to foreign exchange rate fluctuations also arises from trade receivables, trade payables and intercompany payables denominated in one currency in the financial statements, but receivable or payable in another currency. The effects of a hypothetical simultaneous 10% appreciation in the U.S. dollar from December 31, 2019 levels against the euro, British pound sterling, Chinese yuan and Canadian dollar are as follows (in thousands):

Decrease in translation of earnings of foreign subsidiaries (annualized)	\$	3,007
Decrease in translation of net assets of foreign subsidiaries		45,154
Additional transaction losses		490

23

[Table of Contents](#)

## ITEM 4. CONTROLS AND PROCEDURES

### (a) Evaluation of disclosure controls and procedures.

The Company maintains disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)). The Company's management has evaluated, with the participation of its Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of its disclosure controls and procedures as of the end of the period covered in this Quarterly Report on Form 10-Q. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2019, our disclosure controls and procedures were effective.

**(b) Changes in internal controls over financial reporting.**

There were no changes in the Company's internal control over financial reporting during the second quarter of fiscal year 2020 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

24

[Table of Contents](#)

**PART II. OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

As of February 6, 2020, the Company is not a party to any legal proceedings that, individually or in the aggregate, are reasonably expected to have a material adverse effect on the Company's business, results of operations, financial condition or cash flows.

**ITEM 1A. RISK FACTORS**

During the quarter and six months ended December 31, 2019, there have been no material changes from the risk factors found in Part I, Item 1A, "Risk Factors," of the Company's Annual Report on Form 10-K for the year ended June 30, 2019.

25

[Table of Contents](#)

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

There was no share repurchase activity by the Company in the six months ended December 31, 2019.

**ITEM 3. DEFAULT ON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER INFORMATION**

None.

26

[Table of Contents](#)

**ITEM 6. EXHIBITS**

**EXHIBIT INDEX  
TO  
FORM 10-Q**

**BIO-TECHNE CORPORATION**

<u>Exhibit Number</u>	<u>Description</u>
3.1	<a href="#">Amended and Restated Articles of Incorporation of the Company--incorporated by reference to Exhibit 3.1 of the Company's Form 10-Q dated February 9, 2015*</a>
3.2	<a href="#">Third Amended and Restated Bylaws of the Company--incorporated by reference to Exhibit 3.1 of the Company's Form 8-K dated February 1, 2018*</a>
10.1**	<a href="#">Management Incentive Plan--incorporated by reference to Exhibit 10.13 of the Company's Form 10-K for the year ended June 30, 2013*</a>
10.2**	<a href="#">Second Amended and Restated 2010 Equity Incentive Plan--incorporated by reference to Exhibit 10.1 of the Company's Form 8-K dated October 26, 2017*</a>
10.3**	<a href="#">Form of Restricted Stock Award Agreement for Second Amended and Restated 2010 Equity Incentive Plan--incorporated by reference to Exhibit 10.6 of the Company's Form 8-K dated October 26, 2017*</a>
10.4**	<a href="#">Form of Restricted Stock Unit Award Agreement for Second Amended and Restated 2010 Equity Incentive Plan incorporated by reference to Exhibit 10.4 of the Company's Form 10-K dated August 28, 2019*</a>
10.5**	<a href="#">Form of the Performance Unit Award Agreement for Second Amended and Restated 2010 Equity Incentive Plan incorporated by reference to Exhibit 10.5 of the Company's Form 10-K dated August 28, 2019*</a>
10.6**	<a href="#">Form of Incentive Stock Option Agreement for Second Amended and Restated 2010 Equity Incentive Plan-- incorporated by reference to Exhibit 10.6 of the Company's Form 10-K dated August 28, 2019*</a>
10.7**	<a href="#">Form of Employee Non-Qualified Stock Option Agreement for Second Amended and Restated 2010 Equity Incentive Plan--incorporated by reference to Exhibit 10.7 of the Company's Form 10-K dated August 28, 2019*</a>
10.8**	<a href="#">Form of Director Non-Qualified Stock Option Agreement for Second Amended and Restated 2010 Equity Incentive Plan--incorporated by reference to Exhibit 10.2 of the Company's Form 8-K dated October 26, 2017*</a>
10.9**	<a href="#">Employment Agreement by and between the Company and Charles Kummeth--incorporated by reference to Exhibit 10.11 of the Company's Form 10-K dated September 7, 2017*</a>

27

[Table of Contents](#)

<u>Exhibit Number</u>	<u>Description</u>
10.10**	<a href="#">Form of Employment Agreement by and between the Company and Executive Officers of the Company other than the CEO--incorporated by reference to Exhibit 10.12 of the Company's Form 10-K dated September 7, 2017*</a>
10.11	<a href="#">Credit Agreement by and among the Company, the Guarantors party thereto, the Lenders party thereto, and BMO Harris Bank N.A., as Administrative Agent, dated August 1, 2018--incorporated by reference to Exhibit 10.1 of the Company's Form 8-K dated August 2, 2018*</a>
10.12**	<a href="#">Form of Indemnification Agreement entered into with each director and executive officer of the Company--incorporated by reference to Exhibit 10.1 of the Company's Form 10-Q dated February 8, 2018*</a>
10.13	<a href="#">Agreement and Plan of Merger by and among the Company, Aero Merger Sub Inc., Advanced Cell Diagnostics, Inc. and Fortis Advisors, LLC as the Securityholders' Representative, dated July 6, 2016--incorporated by reference to Exhibit 2.1 of the Company's Form 8-K dated July 7, 2016*</a>
10.14	<a href="#">Agreement and Plan of Merger between the Company, Enzo Merger Sub. Inc., Exosome Diagnostics, Inc. and The Securityholders Representative, dated July 25, 2018--incorporated by reference to Exhibit 2.1 of the Company's Form 8-K dated June 25, 2018*</a>
21	<a href="#">Subsidiaries of the Company - incorporated by reference to Exhibit 21 of the Company's Form 10-K dated August 28, 2019*</a>
31.1	<a href="#">Certificate of Chief Executive Officer pursuant to section 302 of the Sarbanes Oxley Act of 2002</a>
31.2	<a href="#">Certificate of Chief Financial Officer pursuant to section 302 of the Sarbanes Oxley Act of 2002</a>
32.1	<a href="#">Certification of Chief Executive Officer pursuant to section 906 of the Sarbanes Oxley Act of 2002</a>
32.2	<a href="#">Certification of Chief Financial Officer pursuant to section 906 of the Sarbanes Oxley Act of 2002</a>
101	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter and six months ended December 31, 2019, formatted in Inline Extensible Business Reporting Language (iXBRL): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Earnings and Comprehensive Income, (iii) the Condensed Consolidated Statements of Cash Flows, and (iv) Notes to the Condensed Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

-----  
\* Incorporated by reference; SEC File No. 000-17272

\*\* Management contract or compensatory plan or arrangement

[Table of Contents](#)

**SIGNATURES**

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

Date: February 6, 2020

BIO-TECHNE CORPORATION  
(Company)

/s/ Charles R. Kummeth  
Charles R. Kummeth  
Principal Executive Officer

Date: February 6, 2020

/s/ James Hippel  
James Hippel  
Principal Financial Officer

CERTIFICATION

I, Charles R. Kummeth, certify that:

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

Date: February 6, 2020

/s/ Charles R. Kummeth  
Charles R. Kummeth  
Principal Executive Officer

## CERTIFICATION

I, James Hippel, certify that:

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

Date: February 6, 2020

/s/ James Hippel  
James Hippel  
Principal Financial Officer

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

In connection with the Quarterly Report of Bio-Techne Corporation (the "Company") On Form 10-Q for the quarter ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Charles R. Kummeth, Principle Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ Charles R. Kummeth  
Charles R. Kummeth  
Principal Executive Officer  
February 6, 2020

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

In connection with the Quarterly Report of Bio-Techne Corporation (the "Company") On Form 10-Q for the quarter ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James Hippel, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

/s/ James Hippel  
James Hippel  
Principal Financial Officer  
February 6, 2020