
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
Date of Report (Date of earliest event reported): February 13, 2019

CRYOLIFE, INC.

(Exact name of registrant as specified in its charter)

Florida
(State or Other Jurisdiction
of Incorporation)

1-13165
(Commission File Number)

59-2417093
(IRS Employer
Identification No.)

1655 Roberts Boulevard, N.W., Kennesaw, Georgia 30144
(Address of principal executive office) (zip code)
Registrant's telephone number, including area code: (770) 419-3355

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

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

Section 2 Financial Information

Item 2.02 Results of Operations and Financial Condition.

On February 13, 2019, CryoLife, Inc. (“CryoLife” or the “Company”) issued a press release announcing its financial results for the year and quarter ended December 31, 2018. CryoLife hereby incorporates by reference herein the information set forth in its press release dated February 13, 2019, a copy of which is attached hereto as Exhibit 99.1. Except as otherwise provided in the press release, the press release speaks only as of the date of such press release and it shall not create any implication that the affairs of CryoLife have continued unchanged since such date.

The information provided pursuant to this Item 2.02 is to be considered “furnished” pursuant to Item 2.02 of Form 8-K and shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section or Sections 11 and 12(a)(2) of the Securities Act of 1933, as amended, nor shall it be deemed incorporated by reference into any of CryoLife’s reports or filings with the Securities and Exchange Commission, whether made before or after the date hereof, except as expressly set forth by specific reference in such report or filing.

Except for the historical information contained in this report, the statements made by CryoLife are forward-looking statements that involve risks and uncertainties. All such statements are subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995. CryoLife’s future financial performance could differ significantly from the expectations of management and from results expressed or implied in the press release. Please refer to the last paragraph of the text portion of the press release for further discussion about forward-looking statements. For further information on risk factors, please refer to “Risk Factors” contained in CryoLife’s most recently filed Form 10-K and its subsequent filings with the Securities and Exchange Commission, as well as in the press release attached as Exhibit 99.1 hereto. CryoLife disclaims any obligation or duty to update or modify these forward-looking statements.

Section 9 Financial Statements and Exhibits.

Item 9.01(d) Exhibits.

(d) Exhibits.

<u>Exhibit Number</u>	<u>Description</u>
99.1*	Press Release dated February 13, 2019

*This exhibit is furnished, not filed.

SIGNATURES

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

CRYOLIFE, INC.

Date: February 13, 2019

By:	<u>/s/ D. Ashley Lee</u>
Name:	D. Ashley Lee
Title:	Executive Vice President, Chief Operating Officer and Chief Financial Officer

FOR IMMEDIATE RELEASE**Contacts:****CryoLife**

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 Operating Officer
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CryoLife Reports Fourth Quarter and Full Year 2018 Financial Results**Fourth Quarter and Recent Business Highlights:**

- Total revenues were \$67.8 million in the fourth quarter of 2018, reflecting year over year growth of 28% and an 8% increase on a non-GAAP constant currency basis compared to the fourth quarter of 2017
 - On-X[®] revenues increased 13% in the fourth quarter of 2018 compared to the fourth quarter of 2017
 - JOTEC[®] revenues were \$16.7 million in the fourth quarter of 2018, an increase of 303% year over year and a 17% increase on a non-GAAP basis compared to the fourth quarter of 2017
- Total revenues for the full year 2018 were \$262.8 million, reflecting year over year growth of 39% and a 10% increase on a non-GAAP constant currency basis compared to full year 2017
- Net loss was (\$1.7) million or (\$0.05) per fully diluted common share for the fourth quarter of 2018; Non-GAAP net income was \$1.9 million, or \$0.05 per fully diluted common share for the fourth quarter of 2018

ATLANTA, GA – (February 13, 2019) – CryoLife, Inc. (NYSE: CRY), a leading cardiac and vascular surgery company focused on aortic disease, announced today its financial results for the fourth quarter and full year ended December 31, 2018.

“2018 was a very successful year for CryoLife highlighted by strong revenue growth and progress on our clinical and R&D programs,” said Pat Mackin, Chairman, President, and Chief Executive Officer. “Looking ahead, we remain confident in our ability to deliver high single digit annual revenue growth over each of the next five years driven by our highly differentiated JOTEC and On-X product portfolios and new introductions from our extensive product pipeline.”

Fourth Quarter 2018 Financial Results

Total revenues for the fourth quarter of 2018 were \$67.8 million, reflecting growth of 28% on a reported basis and 8% on a non-GAAP constant currency basis compared to the fourth quarter of 2017. The increase was primarily driven by \$16.7 million in revenues from JOTEC in the fourth quarter of 2018 compared to \$4.1 million in the fourth quarter of 2017 and strong revenue growth from On-X and tissue processing.

Net loss for the fourth quarter of 2018 was (\$1.7) million, or (\$0.05) per fully diluted common share, compared to net loss of (\$3.0) million, or (\$0.09) per fully diluted common share for the fourth quarter of 2017. Non-GAAP net income for the fourth quarter of 2018 was \$1.9 million, or \$0.05 per fully diluted common share, compared to non-GAAP net income of \$4.8 million, or \$0.14 per fully diluted common share for the fourth quarter of 2017. Earnings reflect higher than anticipated costs in the fourth quarter due to the acceleration of spending on our product pipeline, and increased costs related to international growth.

Full Year 2018 Financial Results

Total revenues for 2018 were \$262.8 million, reflecting growth of 39% on a reported basis and 10% on a non-GAAP constant currency basis compared to 2017. The increase was driven by growth in the On-X and JOTEC product lines as well as the tissue processing business. For 2018, On-X and JOTEC non-GAAP revenues increased by 21% and 25%, respectively, versus 2017.

Reported net loss for 2018 was (\$3.8) million, or (\$0.10) per share compared to net income of \$3.7 million or \$0.11 per share for 2017. Non-GAAP net income for 2018 was \$9.7 million, or \$0.26 a share compared to non-GAAP net income of \$16.7 million, or \$0.48 per share in 2017.

The independent registered public accounting firm's audit report with respect to the Company's fiscal year-end financial statements will not be issued until the Company completes its annual report on Form 10-K, including its evaluation of the effectiveness of internal controls over financial reporting. Accordingly, the financial results reported in this earnings release are preliminary pending completion of the audit.

2019 Financial Outlook

CryoLife expects total revenues for 2019 to be in the range of \$280 million to \$284 million and non-GAAP earnings per share of between \$0.28 and \$0.32.

All numbers are presented on a GAAP basis except where expressly referenced as non-GAAP. The Company does not provide GAAP income per common share on a forward-looking basis because the Company is unable to predict with reasonable certainty business development and acquisition-related expenses, purchase accounting fair value adjustments, and any unusual gains and losses without unreasonable effort. These items are uncertain, depend on various factors, and could be material to results computed in accordance with GAAP.

The Company's financial guidance for 2019 is subject to the risks identified below.

Non-GAAP Financial Measures

This press release contains non-GAAP financial measures. Investors should consider this non-GAAP information in addition to, and not as a substitute for, financial measures prepared in accordance with U.S. GAAP. In addition, this non-GAAP financial information may not be the same as similar measures presented by other companies. The Company's non-GAAP revenues include JOTEC revenues for the same eleven-month period in 2017 prior to the closing of the acquisition of JOTEC on December 1, 2017. The Company did not own JOTEC until the eleven-month period ended December 1, 2017, so the Company is unable to report its GAAP revenue growth for the twelve-month period ended December 31, 2018 compared to the same

period in 2017. The Company's other non-GAAP results exclude (as applicable) business development and integration expenses, amortization expense, and inventory basis step-up expense. The Company believes that these non-GAAP presentations provide useful information to investors regarding unusual non-operating transactions, and the operating expense structure of the Company's existing and recently acquired operations, without regard to its on-going efforts to acquire additional complementary products and businesses and the transaction and integration expenses incurred in connection with recently acquired and divested product lines. The Company believes it is useful to exclude certain expenses because such amounts in any specific period may not directly correlate to the underlying performance of its business operations or can vary significantly between periods as a result of factors such as acquisitions, or non-cash expense related to amortization of previously acquired tangible and intangible assets. The Company does, however, expect to incur similar types of expenses in the future, and this non-GAAP financial information should not be viewed as a statement or indication that these types of expenses will not recur.

Webcast and Conference Call Information

The Company will hold a teleconference call and live webcast tomorrow, February 14, 2019 at 8:30 a.m. ET to discuss the results followed by a question and answer session. To listen to the live teleconference, please dial 201-689-8261. A replay of the teleconference will be available through February 20, 2019 and can be accessed by calling (toll free) 877-660-6853 or 201-612-7415. The Conference ID for the replay is 13687369.

The live webcast and replay can be accessed by going to the Investor Relations section of the CryoLife website at www.cryolife.com and selecting the heading Webcasts & Presentations.

About CryoLife, Inc.

Headquartered in suburban Atlanta, Georgia, CryoLife is a leader in the manufacturing, processing, and distribution of medical devices and implantable tissues used in cardiac and vascular surgical procedures focused on aortic repair. CryoLife markets and sells products in more than 100 countries worldwide. For additional information about CryoLife, visit our website, www.cryolife.com.

Forward Looking Statements

Statements made in this press release that look forward in time or that express management's beliefs, expectations, or hopes are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements reflect the views of management at the time such statements are made. These statements include our financial guidance, including our expected total revenues and non-GAAP earnings per share; and our statement that we remain confident in our ability to deliver high single digit annual revenue growth over each of the next five years driven by our highly differentiated JOTEC and On-X product portfolios and new introductions from our extensive product pipeline. These forward-looking statements are subject to a number of risks, uncertainties, estimates, and assumptions that may cause actual results to differ materially from current expectations. These risks and uncertainties include the risk factors detailed in our Securities and Exchange Commission filings, including our Form 10-K for year ended December 31, 2018. CryoLife does not undertake to update its forward-looking statements, whether as a result of new information, future events, or otherwise.

CRYOLIFE, INC. AND SUBSIDIARIES
Financial Highlights - Unaudited
(In thousands, except per share data)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2018	2017	2018	2017
Revenues:				
Products	\$ 49,331	\$ 35,112	\$ 187,394	\$ 119,631
Preservation services	18,468	17,714	75,447	70,071
Total revenues	67,799	52,826	262,841	189,702
Cost of products and preservation services:				
Products	13,606	8,601	53,772	29,798
Preservation services	9,002	7,862	36,085	31,262
Total cost of products and preservation services	22,608	16,463	89,857	61,060
Gross margin	45,191	36,363	172,984	128,642
Operating expenses:				
General, administrative, and marketing	35,628	30,195	140,574	101,211
Research and development	6,784	6,363	23,098	19,461
Total operating expenses	42,412	36,558	163,672	120,672
Operating income (loss)	2,779	(195)	9,312	7,970
Interest expense	3,925	2,396	15,788	4,881
Interest income	(85)	(53)	(226)	(212)
Other expense (income), net	398	(190)	141	(260)
(Loss) income before income taxes	(1,459)	(2,348)	(6,391)	3,561
Income tax expense (benefit)	282	659	(2,586)	(143)
Net (loss) income	\$ (1,741)	\$ (3,007)	\$ (3,805)	\$ 3,704
(Loss) income per common share:				
Basic	\$ (0.05)	\$ (0.09)	\$ (0.10)	\$ 0.11
Diluted	\$ (0.05)	\$ (0.09)	\$ (0.10)	\$ 0.11
Weighted-average common shares outstanding:				
Basic	36,652	34,025	36,412	33,008
Diluted	36,652	34,025	36,412	34,163

CRYOLIFE, INC. AND SUBSIDIARIES
Financial Highlights - Unaudited
(In thousands)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2018	2017	2018	2017
Products:				
BioGlue and BioFoam	\$ 17,975	\$ 17,845	\$ 66,660	\$ 65,939
JOTEC	16,672	4,136	63,341	4,136
On-X	11,337	9,993	44,832	37,041
CardioGenesis cardiac laser therapy	1,703	1,736	6,217	6,866
PerClot	945	892	3,767	3,533
PhotoFix	699	510	2,577	2,116
Total products	49,331	35,112	187,394	119,631
Preservation services:				
Cardiac tissue	9,023	8,599	35,683	32,510
Vascular tissue	9,445	9,115	39,764	37,561
Total preservation services	18,468	17,714	75,447	70,071
Total revenues	\$ 67,799	\$ 52,826	\$ 262,841	\$ 189,702
Revenues:				
U.S.	\$ 36,528	\$ 34,648	\$ 144,651	\$ 135,102
International	31,271	18,178	118,190	54,600
Total revenues	\$ 67,799	\$ 52,826	\$ 262,841	\$ 189,702

CRYOLIFE, INC. AND SUBSIDIARIES
Reconciliation of GAAP to Non-GAAP
Net Income (Loss) and Diluted Income (Loss) per Common Share - Unaudited
(In thousands, except per share data)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2018	2017	2018	2017
GAAP:				
(Loss) income before income taxes	\$ (1,459)	\$ (2,348)	\$ (6,391)	\$ 3,561
Income tax expense (benefit)	282	659	(2,586)	(143)
Net (loss) income	\$ (1,741)	\$ (3,007)	\$ (3,805)	\$ 3,704
Diluted (loss) income per common share:	\$ (0.05)	\$ (0.09)	\$ (0.10)	\$ 0.11
Diluted weighted-average common shares outstanding	36,652	34,025	36,412	34,163
Reconciliation of (loss) income before income taxes, GAAP to adjusted net income, non-GAAP:				
(Loss) income before income taxes, GAAP	\$ (1,459)	\$ (2,348)	\$ (6,391)	\$ 3,561
Adjustments:				
Business development and integration expenses	1,399	6,555	8,332	10,935
Amortization expense	2,597	1,662	10,792	5,085
Gain on On-X escrow settlement	--	--	(2,675)	--
Inventory basis step-up expense	--	584	2,805	2,728
Adjusted income before income taxes, non-GAAP	2,537	6,453	12,863	22,309
Income tax expense calculated at 25% pro forma tax rate	634	1,613	3,216	5,577
Adjusted net income, non-GAAP	\$ 1,903	\$ 4,840	\$ 9,647	\$ 16,732
Reconciliation of diluted (loss) income per common share, GAAP to adjusted diluted income per common share, non-GAAP:				
Diluted (loss) income per common share, GAAP:	\$ (0.05)	\$ (0.09)	\$ (0.10)	\$ 0.11
Adjustments:				
Business development and integration expenses	0.04	0.18	0.22	0.31
Amortization expense	0.07	0.05	0.29	0.15
Gain on On-X escrow settlement	--	--	(0.07)	--
Inventory basis step-up expense	--	0.02	0.07	0.08
Tax effect of non-GAAP adjustments	(0.03)	(0.06)	(0.12)	(0.14)
Effect of 25% pro forma tax rate	0.02	0.04	(0.03)	(0.03)
Adjusted diluted income per common share, non-GAAP:	\$ 0.05	\$ 0.14	\$ 0.26	\$ 0.48
Diluted weighted-average common shares outstanding	37,658	35,090	37,437	34,163

CRYOLIFE, INC. AND SUBSIDIARIES
Reconciliation of GAAP to Non-GAAP
Revenues and Gross Margin - Unaudited
(In thousands, except per share data)

	Three Months Ended December 31,			Twelve Months Ended December 31,		
	2018	2017	Growth Rate	2018	2017	Growth Rate
Reconciliation of total revenues, GAAP to total revenues, non-GAAP:						
Total revenues, GAAP	\$ 67,799	\$ 52,826	28%	\$ 262,841	\$ 189,702	39%
Plus: JOTEC pre-acquisition revenues	--	10,068		--	46,507	
Total revenues, non-GAAP	\$ 67,799	\$ 62,894	8%	\$ 262,841	\$ 236,209	11%
Impact of changes in currency exchange	--	(402)		--	2,757	
Total constant currency revenues, non-GAAP	\$ 67,799	\$ 62,492	8%	\$ 262,841	\$ 238,966	10%
Reconciliation of gross margin %, GAAP to gross margin %, non-GAAP:						
Total revenues, GAAP	\$ 67,799	\$ 52,826		\$ 262,841	\$ 189,702	
Gross margin, GAAP	\$ 45,191	\$ 36,363		\$ 172,984	\$ 128,642	
Gross margin %, GAAP	67%	69%		66%	68%	
Gross margin, GAAP	\$ 45,191	\$ 36,363		\$ 172,984	\$ 128,642	
Plus: Inventory basis step-up expense	--	584		2,805	2,728	
Gross margin, non-GAAP	\$ 45,191	\$ 36,947		\$ 175,789	\$ 131,370	
Gross margin %, non-GAAP	67%	70%		67%	69%	

CRYOLIFE, INC. AND SUBSIDIARIES
Reconciliation of GAAP to Non-GAAP
Net Income (Loss) to Adjusted EBITDA - Unaudited
(In thousands)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2018	2017	2018	2017
Reconciliation of net (loss) income, GAAP to adjusted EBITDA, non-GAAP:				
Net (loss) income, GAAP	\$ (1,741)	\$ (3,007)	\$ (3,805)	\$ 3,704
Adjustments:				
Interest income	(85)	(53)	(226)	(212)
Interest expense	3,925	2,396	15,788	4,881
Income tax expense (benefit)	282	659	(2,586)	(143)
Depreciation and amortization expense	4,459	3,050	18,095	9,733
Loss (gain) on foreign currency revaluation	437	(206)	2,578	(284)
Business development and integration expenses	1,399	6,555	8,332	10,935
Gain on On-X escrow settlement	--	--	(2,675)	--
Inventory basis step-up expense	--	584	2,805	2,728
Stock-based compensation expense	1,641	1,256	6,326	6,908
Adjusted EBITDA, non-GAAP	\$ 10,317	\$ 11,234	\$ 44,632	\$ 38,250