

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 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): **March 6, 2024**

AVID BIOSERVICES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State of other jurisdiction
of incorporation)

001-32839
(Commission
File Number)

95-3698422
(IRS Employer
Identification No.)

14191 Myford Road, Tustin, California 92780
(Address of Principal Executive Offices)

Registrant's telephone number, including area code: **(714) 508-6100**

(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:

- 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 14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each Class	Trading Symbol	Name of each exchange on which registered
Common Stock, \$0.001 par value per share	CDMO	The NASDAQ Stock Market LLC

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.

Item 2.02 Results of Operations and Financial Condition.

On March 6, 2024, Avid Bioservices, Inc. (the “Company”) issued a press release announcing certain preliminary financial results as of and for its third quarter and nine months ended January 31, 2024. A copy of the press release is attached to this Current Report on Form 8-K as Exhibit 99.1.

The information in this Item 2.02 and Exhibit 99.1 hereto is intended to be furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended (the “Securities Act”), or the Exchange Act, except as expressly set forth by specific reference in such filing.

Item 3.02 Unregistered Sales of Equity Securities.

On March 6, 2024, the Company entered into separate privately negotiated subscription agreements with certain investors to sell and issue \$160 million aggregate principal amount of 7.00% Convertible Senior Notes due 2029 (the “2029 Notes”). The sale and issuance of the 2029 Notes will be effected in reliance on Section 4(a)(2) of the Securities Act (the “Offering”). All of the purchasers of the 2029 Notes are “qualified institutional buyers” as that term is defined in Rule 144A of the Securities Act. The Company anticipates that the closing of the Offering will occur on or about March 12, 2024, subject to customary closing conditions.

The 2029 Notes will represent senior unsecured obligations of the Company and will pay interest semiannually in arrears on each of March 1 and September 1, commencing on September 1, 2024, at a rate of 7.00% per annum. The 2029 Notes will mature on March 1, 2029, unless earlier converted or repurchased. The 2029 Notes will be convertible at the option of the holders in certain circumstances into cash, shares of the Company’s common stock or a combination of cash and the Company’s common stock, at the Company’s election. The initial conversion rate is 101.1250 shares of the Company’s common stock per \$1,000 principal amount of 2029 Notes, which is equivalent to an initial conversion price of approximately \$9.89 per share, and will be subject to customary anti-dilution adjustments. The Company may not redeem the 2029 Notes prior to the maturity date.

The Company expects to use a portion of the net proceeds from the Offering (i) to repurchase for cash a portion of the Company’s 1.250% Exchangeable Senior Notes due 2026 (“2026 Notes”) in privately negotiated transactions from certain noteholders and (ii) to the extent there are 2026 Notes outstanding after such repurchases, to repay in full any remaining outstanding 2026 Notes by depositing the required payoff amount with the trustee under the indenture for the 2026 Notes. As described in more detail in the Company’s Current Report on Form 8-K filed with the Securities and Exchange Commission on March 6, 2024, all of the 2026 Notes have been accelerated and have become due and payable pursuant to an acceleration notice.

The Company issued a press release to announce the Offering on March 6, 2024 and issued a press release to announce the pricing of the Offering on March 6, 2024, copies of which are filed as Exhibit 99.2 and Exhibit 99.3 to this Current Report, respectively.

This Current Report on Form 8-K does not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall it constitute an offer to sell, solicitation or sale in any jurisdiction in which such offer, solicitation or sale would be unlawful. These securities have not been registered under the Securities Act or any state securities laws and, unless so registered, may not be offered or sold in the United States or to U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state laws.

Forward-Looking Statements

Statements in this report, which are not purely historical, including statements regarding the timing, size and expected completion of the offering of 2029 Notes, the use of proceeds from the Offering, and other statements that are not statements of historical fact, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The forward-looking statements involve risks and uncertainties which could cause actual results to differ materially from those expressed or implied by such forward-looking statements, including, but not limited to, those related to market and other conditions; the risk that the conditions to the closing of the Offering are not satisfied; and other risks and uncertainties that are described in the Risk Factors section of our annual report on Form 10-K for the fiscal year ended April 30, 2023, as well as any updates to these risk factors filed from time to time in our other filings with the Securities and Exchange Commission. We caution investors not to place undue reliance on the forward-looking statements contained in this report, and we disclaim any obligation, and do not undertake, to update or revise any forward-looking statements in this report except as may be required by law.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

**Exhibit
Number**

- 99.1 [Press Release Announcing Certain Preliminary Financial Results, dated March 6, 2024](#)
- 99.2 [Press Release Announcing Convertible Note Offering, dated March 6, 2024](#)
- 99.3 [Press Release Announcing Pricing of Convertible Note Offering, dated March 6, 2024](#)
- 104 Cover Page Interactive Data File (embedded within the Inline XBRL document).

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 hereunto duly authorized.

AVID BIOSERVICES, INC.

Date: March 7, 2024

By: /s/ Daniel R. Hart
Daniel R. Hart
Chief Financial Officer



Avid Bioservices Announces Certain Preliminary Financial Results for Third Quarter Ended January 31, 2024

TUSTIN, Calif., March 6, 2024 -- Avid Bioservices, Inc. (NASDAQ:CDMO), a dedicated biologics contract development and manufacturing organization (CDMO) working to improve patient lives by providing high quality development and manufacturing services to biotechnology and pharmaceutical companies, today announced preliminary earnings estimates for the third quarter and nine months ended January 31, 2024.

The company expects results in the third quarter of fiscal 2024 to include:

Revenues & Backlog

- Revenues for the third quarter of fiscal 2024 were \$33.8 million, representing an 11% decrease as compared to revenues of \$38.0 million recorded in the same prior year period and a 33% increase as compared to revenues of \$25.4 million recorded in the second quarter of fiscal 2024. For the first nine months of fiscal 2024, revenues were \$96.9 million, a decrease of approximately 11% compared to \$109.5 million in the same prior year period. The decrease in revenues for the third quarter and nine months ended January 31, 2024 compared to the same prior year periods was primarily attributed to fewer manufacturing runs and a reduction in process development services from early-stage customers. Additionally, the first nine months revenues were also impacted by a reduction of revenue for changes in estimated variable consideration under a contract where uncertainties have been resolved.
- The company's commercial team signed multiple new orders during the third quarter of fiscal 2024, totaling approximately \$41 million net, and resulting in record high revenue backlog of \$206 million, representing an increase of 17% compared to \$176 million at the end of the same quarter last year. These orders span a broad range of the company's capabilities and are primarily from later-stage projects. The company anticipates a significant amount of its backlog will be recognized as revenue over the next five fiscal quarters.

Gross Profit

- Gross profit for the third quarter of fiscal 2024 was \$2.4 million (7% gross margin), compared to \$9.8 million (26% gross margin) in the third quarter of fiscal 2023 and a gross loss of \$4.7 million (negative 18% gross margin) in the second quarter of fiscal 2024. Gross profit for the first nine months of fiscal 2024 was \$1.8 million (2% gross margin), compared to a gross profit of \$23.1 million (21% gross margin) for the same period during fiscal 2023. The decrease in gross margin for the three and nine months ended January 31, 2024 compared to the same prior year periods was primarily driven by fewer manufacturing runs, a reduction in process development services from early-stage customers, and an increase in our costs related to expansions of both the company's capacity and technical capabilities. Gross margins during the nine months ended January 31, 2024, were also impacted by a reduction of revenue for changes in estimated variable consideration under a contract where uncertainties have been resolved, a terminated project relating to the insolvency of one of the company's smaller customers, and a delay in the ability to recognize revenues of a customer product pending the implementation of a process change.

Selling, General and Administrative (SG&A) Expenses

- SG&A expenses for the third quarter of fiscal 2024 were \$6.4 million, a decrease of 10% compared to \$7.1 million recorded for the third quarter of fiscal 2023 and a decrease of 3% compared to \$6.6 million recorded for the second quarter of fiscal 2024. SG&A expenses for the first nine months of fiscal 2024 were \$19.2 million, a decrease of approximately 6% compared to \$20.3 million recorded in the same prior year period. The decrease in SG&A for both the three and nine months ended January 31, 2024 compared to the same prior year periods was primarily due to decreases in compensation and benefit related expenses, and consulting fees.

Operating Income (Loss)

- Operating loss for the third quarter of fiscal 2024 was \$4.0 million, a decrease compared to operating income of \$2.7 million recorded for the third quarter of fiscal 2023 and an increase compared to an operating loss of \$11.2 million recorded for the second quarter of fiscal 2024. Operating loss for first nine months of fiscal 2024 was \$17.4 million compared to operating income of \$2.8 million for the first nine months of fiscal 2023. The decrease in operating income for the three and nine months ended January 31, 2024 compared to the same prior year periods was driven by a decrease in gross profit partially offset by reduced SG&A.

Other Items

- The company is maintaining revenue guidance for full fiscal year 2024 of \$137mm to \$147mm.
- On January 31, 2024, Avid reported cash and cash equivalents of \$30.7 million, compared to \$38.5 million on April 30, 2023.
- During the quarter, Avid marked the completion of its cell and gene therapy (or CGT) facility, representing the final step in a three-year expansion program that has dramatically increased the company's service offerings and revenue generating capacity. Avid estimates that its combined mammalian and CGT facilities now have a total revenue generating capacity of up to approximately \$400mm annually.

About Avid Bioservices, Inc.

Avid Bioservices (NASDAQ:CDMO) is a dedicated contract development and manufacturing organization (CDMO) focused on development and CGMP manufacturing of biologics. The company provides a comprehensive range of process development, CGMP clinical and commercial manufacturing services for the biotechnology and biopharmaceutical industries. With 30 years of experience producing biologics, Avid's services include CGMP clinical and commercial drug substance manufacturing, bulk packaging, release and stability testing and regulatory submissions support. For early-stage programs the company provides a variety of process development activities, including cell line development, upstream and downstream development and optimization, analytical methods development, testing and characterization. The scope of our services ranges from standalone process development projects to full development and manufacturing programs through commercialization. www.avidbio.com

Forward-Looking Statements

Statements in this press release, which are not purely historical, including statements regarding Avid Bioservices' intentions, hopes, beliefs, expectations, representations, projections, plans or predictions of the future, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by the forward-looking statements, including, but not limited to, the risk the company may experience delays in engaging new customers, the risk that the company may not be successful in executing customers projects, the risk that changing economic conditions may delay or otherwise adversely impact the realization of the company's backlog, the risk that the company may not be able to convert its backlog into revenue within the contemplated time periods, the risk that the company may experience technical difficulties in completing customer projects due to unanticipated equipment and/or manufacturing facility issues which could result in projects being terminated or delay delivery of products to customers, revenue recognition and receipt of payment or result in the loss of the customer; the risk that one or more existing customers terminates its contract prior to completion or reduces or delays its demand for development or manufacturing services which could adversely affect guided fiscal 2024 revenues, the risk that our reported financial results may differ from the preliminary financial results included herein as a result of financial close and review procedures, the risk that expanding into a new biologics manufacturing capability may distract senior management's focus on the company's existing operations, the risk that the company may experience delays in hiring qualified individuals into the cell and gene therapy business, the risk that the company may experience delays in engaging customers for the cell and gene therapy business, and the risk that the cell and gene therapy business may not become profitable for several years, if ever. Our business could be affected by a number of other factors, including the risk factors listed from time to time in our reports filed with the Securities and Exchange Commission including, but not limited to, our annual report on Form 10-K for the fiscal year ended April 30, 2023, as well as any updates to these risk factors filed from time to time in our other filings with the Securities and Exchange Commission. We caution investors not to place undue reliance on the forward-looking statements contained in this press release, and we disclaim any obligation, and do not undertake, to update or revise any forward-looking statements in this press release except as may be required by law.

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Avid Bioservices Announces Proposed Private Placement of Convertible Notes

TUSTIN, Calif., March 6, 2024 -- Avid Bioservices, Inc. (NASDAQ:CDMO), a dedicated biologics contract development and manufacturing organization (CDMO), announced today that it intends to offer, subject to market conditions and other factors, \$160 million aggregate principal amount of Convertible Senior Notes due 2029 (the "2029 Notes") in a private placement (the "Offering") to persons reasonably believed to be qualified institutional buyers pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended (the "Securities Act"). The company expects to price the Offering before open of market on March 7, 2024.

The 2029 Notes will represent senior unsecured obligations of the company and will accrue interest payable semiannually in arrears. Upon conversion, the company will pay or deliver, as the case may be, cash, shares of its common stock or a combination of cash and shares of its common stock, at its election. The interest rate, initial conversion rate and other terms of the notes will be determined at the time of pricing of the Offering.

The company expects to use the net proceeds from the Offering (i) to repurchase for cash a portion of its 1.250% Exchangeable Senior Notes due 2026 (the "2026 Notes") in privately negotiated transactions from certain noteholders and (ii) to the extent there are 2026 Notes outstanding after such repurchase, to repay in full any remaining outstanding 2026 Notes by depositing the required payoff amount with the trustee under the indenture of the 2026 Notes.

In connection with the repurchase or repayment of the 2026 Notes, the company expects to unwind its capped call transactions with respect to the 2026 Notes with the applicable counterparties. In connection with any such termination, the company expects the counterparties to such capped call transactions and/or their respective affiliates will unwind various derivatives with respect to the company's common stock and/or sell shares of the company's common stock concurrently with such termination. This activity could decrease the market price of the company's common stock at that time.

The 2029 Notes and any shares of the company's common stock issuable upon conversion of the 2029 Notes have not been and will not be registered under the Securities Act, any state securities laws or the securities laws of any other jurisdiction, and unless so registered, may not be offered or sold in the United States absent registration or an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and other applicable securities laws.

This press release is neither an offer to sell nor a solicitation of an offer to buy any of these securities nor shall there be any sale of these securities in any state or jurisdiction in which such an offer, solicitation or sale would be unlawful prior to the registration or qualification thereof under the securities laws of any such state or jurisdiction. Further, this press release is not an offer to repurchase the 2026 Notes. As described in the Current Report on Form 8-K filed by the company on March 6, 2024, all of the 2026 Notes have been accelerated and became due and payable pursuant to an acceleration notice the company received from a holder of the 2026 Notes on February 29, 2024.

Forward-Looking Statements

Statements in this press release, which are not purely historical, including statements regarding the timing, size and expected completion of the offering of 2029 Notes, the expected unwind of the company's capped call transactions with respect to the 2026 Notes, the use of proceeds from the offering, and other statements that are not statements of historical fact, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The forward-looking statements involve risks and uncertainties including, but not limited to, those related to market and other conditions; the risk that the conditions to the closing of the proposed offering are not satisfied; and other risks and uncertainties that are described in the Risk Factors section of our annual report on Form 10-K for the fiscal year ended April 30, 2023, as well as any updates to these risk factors filed from time to time in our other filings with the Securities and Exchange Commission. We caution investors not to place undue reliance on the forward-looking statements contained in this press release, and we disclaim any obligation, and do not undertake, to update or revise any forward-looking statements in this press release except as may be required by law.

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Avid Bioservices Announces Pricing of Private Placement of Convertible Notes

TUSTIN, Calif., March 6, 2024 -- Avid Bioservices, Inc. (NASDAQ:CDMO), a dedicated biologics contract development and manufacturing organization (CDMO), announced today the pricing of \$160 million aggregate principal amount of 7.00% Convertible Senior Notes due 2029 (the "2029 Notes"). In connection with the offering, the company entered into private placement purchase agreements with the several purchasers, each of whom is a "qualified institutional buyer" within the meaning of Rule 144A promulgated under the Securities Act of 1933, as amended (the "Securities Act"). The closing of the offering is subject to customary closing conditions and is expected to take place on March 12, 2024.

The 2029 Notes will represent senior unsecured obligations of the company and will accrue interest payable semiannually in arrears on March 1 and September 1 of each year, beginning on September 1, 2024. The notes will mature on March 1, 2029, unless earlier converted or repurchased.

Before September 1, 2028, holders will have the right to convert their 2029 Notes only upon the satisfaction of specified conditions and during certain periods. On or after September 1, 2028 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their 2029 Notes at any time. Upon conversion, the company will pay or deliver, as the case may be, cash, shares of its common stock or a combination of cash and shares of its common stock, at its election. The conversion rate for the 2029 Notes will initially be 101.1250 shares of the company's common stock per \$1,000 principal amount of notes (equivalent to an initial conversion price of approximately \$9.89 per share of the company's common stock). The initial conversion price represents a premium of approximately 12.5% over the last reported sale price of \$8.79 per share of the company's common stock on March 6, 2024. The conversion rate will be subject to adjustment in some events but will not be adjusted for any accrued or unpaid interest.

The 2029 Notes are not redeemable and no sinking fund is provided for the 2029 Notes. If the company undergoes a "fundamental change" (as defined in the indenture that will govern the 2029 Notes), then, subject to certain conditions and limited exceptions, holders may require the company to repurchase for cash all or any portion of their 2029 Notes at a fundamental change repurchase price equal to 100% of the principal amount of the 2029 Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date. In addition, following certain corporate events that occur prior to the maturity date, the company will, in certain circumstances, increase the conversion rate for a holder who elects to convert its 2029 Notes in connection with such a corporate event.

The company expects to use the net proceeds from the Offering (i) to repurchase for cash a portion of its 1.250% Exchangeable Senior Notes due 2026 (the "2026 Notes") in privately negotiated transactions from certain noteholders and (ii) to the extent there are 2026 Notes outstanding after such repurchase, to repay in full any remaining outstanding 2026 Notes by depositing the required payoff amount with the trustee under the indenture of the 2026 Notes.

The 2029 Notes and any shares of the company's common stock issuable upon conversion of the 2029 Notes have not been and will not be registered under the Securities Act, any state securities laws or the securities laws of any other jurisdiction, and unless so registered, may not be offered or sold in the United States absent registration or an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and other applicable securities laws.

This press release is neither an offer to sell nor a solicitation of an offer to buy any of these securities nor shall there be any sale of these securities in any state or jurisdiction in which such an offer, solicitation or sale would be unlawful prior to the registration or qualification thereof under the securities laws of any such state or jurisdiction. Further, this press release is not an offer to repurchase the 2026 Notes. As described in the Current Report on Form 8-K filed by the company on March 6, 2024, all of the 2026 Notes have been accelerated and became due and payable pursuant to an acceleration notice the company received from a holder of the 2026 Notes on February 29, 2024.

Forward-Looking Statements

Statements in this press release, which are not purely historical, including statements regarding the timing, size and expected completion of the offering of 2029 Notes, the use of proceeds from the offering, and other statements that are not statements of historical fact, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The forward-looking statements involve risks and uncertainties which could cause actual results to differ materially from those expressed or implied by such forward-looking statements, including, but not limited to, those related to market and other conditions; the risk that the conditions to the closing of the proposed offering are not satisfied; and other risks and uncertainties that are described in the Risk Factors section of our annual report on Form 10-K for the fiscal year ended April 30, 2023, as well as any updates to these risk factors filed from time to time in our other filings with the Securities and Exchange Commission. We caution investors not to place undue reliance on the forward-looking statements contained in this press release, and we disclaim any obligation, and do not undertake, to update or revise any forward-looking statements in this press release except as may be required by law.

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