UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 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: July 3, 2021

OR

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

Commission File Number: 001-14041

HAEMONETICS CORPORATION

(Exact name of registrant as specified in its charter)

Massachusetts	**04-2882273**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
125 Summer Street **Boston, Massachusetts**	**02110**
(Address of principal executive offices)	(Zip Code)

(781) 848-7100

(Registrant's telephone number, including area code)

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

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common stock, $.01 par value per share	HAE	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

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 x No o

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	x	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

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

The number of shares of $0.01 par value common stock outstanding as of August 9, 2021: 51,029,618

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ITEM 1. FINANCIAL STATEMENTS

HAEMONETICS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME
(Unaudited in thousands, except per share data)

	Three Months Ended	
	July 3, 2021	June 27, 2020
Net revenues	$ 228,528	$ 195,577
Cost of goods sold	120,443	105,547
Gross profit	108,085	90,030
Operating expenses:		
Research and development	12,701	7,750
Selling, general and administrative	91,218	62,302
Amortization of intangible assets	12,379	8,263
Gains on divestitures and sale of assets	(9,603)	—
Total operating expenses	106,695	78,315
Operating income	1,390	11,715
Interest and other expense, net	(4,398)	(3,735)
(Loss) income before provision (benefit) for income taxes	(3,008)	7,980
Provision (benefit) for income taxes	1,446	(2,547)
Net (loss) income	**$ (4,454)**	**$ 10,527**
Net (loss) income per share - basic	$ (0.09)	$ 0.21
Net (loss) income per share - diluted	$ (0.09)	$ 0.21
Weighted average shares outstanding		
Basic	50,939	50,418
Diluted	50,939	51,247
Comprehensive (loss) income	$ (4,007)	$ 11,956

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

HAEMONETICS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited in thousands, except share data)

	July 3, 2021	April 3, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 173,462	$ 192,305
Accounts receivable, less allowance of $2,236 at July 3, 2021 and $2,226 at April 3, 2021	132,908	127,555
Inventories, net	326,500	322,614
Prepaid expenses and other current assets	51,498	51,072
Total current assets	684,368	693,546
Property, plant and equipment, net	214,782	217,559
Intangible assets, less accumulated amortization of $335,060 at July 3, 2021 and $320,640 at April 3, 2021	353,688	365,483
Goodwill	466,314	466,444
Deferred tax asset	6,197	6,009
Other long-term assets	68,838	70,882
Total assets	**$ 1,794,187**	**$ 1,819,923**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable and current maturities of long-term debt	$ 17,025	$ 17,016
Accounts payable	49,131	50,293
Accrued payroll and related costs	34,372	47,600
Other liabilities	127,811	138,586
Total current liabilities	228,339	253,495
Long-term debt, net of current maturities	767,345	690,592
Deferred tax liability	24,278	43,825
Other long-term liabilities	97,145	100,341
Total stockholders' equity		
Common stock, $0.01 par value; Authorized — 150,000,000 shares; Issued and outstanding — 51,012,969 shares at July 3, 2021 and 50,868,820 shares at April 3, 2021	510	509
Additional paid-in capital	551,108	602,727
Retained earnings	154,562	157,981
Accumulated other comprehensive loss	(29,100)	(29,547)
Total stockholders' equity	677,080	731,670
Total liabilities and stockholders' equity	**$ 1,794,187**	**$ 1,819,923**

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

HAEMONETICS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited in thousands)

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Par Value				
Balance, April 3, 2021	**50,869**	**$ 509**	**$ 602,727**	**$ 157,981**	**$ (29,547)**	**$ 731,670**
Employee stock purchase plan	39	—	2,210	—	—	2,210
Exercise of stock options	14	—	500	—	—	500
Issuance of restricted stock, net of cancellations	91	1	(1)	—	—	—
Cumulative effect of change in accounting standards	—	—	(61,156)	1,035	—	(60,121)
Share-based compensation expense	—	—	6,828	—	—	6,828
Net loss	—	—	—	(4,454)	—	(4,454)
Other comprehensive income	—	—	—	—	447	447
Balance, July 3, 2021	**51,013**	**$ 510**	**$ 551,108**	**$ 154,562**	**$ (29,100)**	**$ 677,080**

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Par Value				
Balance, March 28, 2020	**50,323**	**$ 503**	**$ 553,229**	**$ 78,512**	**$ (45,135)**	**$ 587,109**
Employee stock purchase plan	22	—	2,144	—	—	2,144
Exercise of stock options	28	1	1,192	—	—	1,193
Issuance of restricted stock, net of cancellations	298	3	(3)	—	—	—
Share-based compensation expense	—	—	6,167	—	—	6,167
Net income	—	—	—	10,527	—	10,527
Other comprehensive income	—	—	—	—	1,429	1,429
Balance, June 27, 2020	**50,671**	**$ 507**	**$ 562,729**	**$ 89,039**	**$ (43,706)**	**$ 608,569**

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

HAEMONETICS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited in thousands)

	Three Months Ended	
	July 3, 2021	**June 27, 2020**
Cash Flows from Operating Activities:		
Net (loss) income	$ (4,454)	$ 10,527
Adjustments to reconcile net income to net cash provided by operating activities:		
Non-cash items:		
Depreciation and amortization	25,033	20,724
Amortization of fair value inventory step-up	5,295	—
Impairment of assets	5,144	1,028
Share-based compensation expense	6,828	6,167
Amortization of deferred finance costs	1,019	147
(Benefit) provision for losses on inventory	(544)	1,452
Gains on divestitures and sale of assets	(9,603)	—
Contingent consideration expense	9,774	—
Other non-cash operating activities	(355)	(841)
Change in operating assets and liabilities:		
Change in accounts receivable	(5,342)	25,067
Change in inventories	(8,553)	(24,557)
Change in prepaid income taxes	2,121	(3,544)
Change in other assets and other liabilities	1,256	865
Change in accounts payable and accrued expenses	(29,299)	(25,223)
Net cash (used in) provided by operating activities	(1,680)	11,812
Cash Flows from Investing Activities:		
Capital expenditures	(13,919)	(7,696)
Acquisition	(2,500)	(16,606)
Proceeds from divestitures	—	—
Proceeds from sale of property, plant and equipment	568	406
Net cash used in investing activities	(15,851)	(23,896)
Cash Flows from Financing Activities:		
Net increase in short-term loans	—	150,000
Repayment of term loan borrowings	(4,375)	(4,375)
Proceeds from employee stock purchase plan	2,210	2,144
Proceeds from exercise of stock options	500	1,193
Other	31	(11)
Net cash (used in) provided by financing activities	(1,634)	148,951
Effect of exchange rates on cash and cash equivalents	322	1,547
Net Change in Cash and Cash Equivalents	(18,843)	138,414
Cash and Cash Equivalents at Beginning of Period	192,305	137,311
Cash and Cash Equivalents at End of Period	**$ 173,462**	**$ 275,725**
Supplemental Disclosures of Cash Flow Information:		
Interest paid	$ 1,482	$ 2,780
Income taxes paid	$ 14,494	$ 2,063
Non-Cash Investing and Financing Activities:		
Transfers from inventory to fixed assets for placement of Haemonetics equipment	$ 3,203	$ 2,364

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

1. BASIS OF PRESENTATION

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of Haemonetics Corporation ("Haemonetics" or the "Company") presented herein have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of the Company's management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. All intercompany transactions have been eliminated. Operating results for the three months ended July 3, 2021 are not necessarily indicative of the results that may be expected for the full fiscal year ending April 2, 2022 or any other interim period. The Company has assessed its ability to continue as a going concern. As of July 3, 2021, the Company has concluded that substantial doubt about its ability to continue as a going concern does not exist. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and footnotes included in the Annual Report on Form 10-K for the fiscal year ended April 3, 2021.

The Company considers events or transactions that occur after the balance sheet date but prior to the issuance of the financial statements to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. Subsequent events have been evaluated as required. There were no material recognized or unrecognized subsequent events as of or for the three months ended July 3, 2021.

2. RECENT ACCOUNTING PRONOUNCEMENTS

Standards Implemented

In December 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") Update No. 2019-12, Income Taxes (Topic 740). The new guidance improves consistent application of and simplifies the accounting for income taxes by removing certain exceptions to the general principals in Topic 740. The Company adopted ASC Update No. 2019-12 effective April 4, 2021. The adoption did not have a material impact on the financial position or results of operations.

In August 2020, the FASB issued ASC ASU Update No. 2020-06 Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40). The amendments simplify the complexity associated with applying U.S. GAAP for certain financial instruments with characteristics of liabilities and equity. Update No. 2020-06 is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The Company early adopted ASC Update No. 2020-06 effective April 4, 2021 using the modified retrospective method, which resulted in a decrease of $61.2 million to additional paid-in capital, a decrease to non-current deferred tax liabilities of $20.0 million, and an increase of $80.3 million to non-current convertible notes, net, on the Condensed Consolidated Balance Sheets. Additionally, retained earnings was adjusted to remove amortization expense recognized in prior periods related to the debt discount and the convertible notes no longer have a debt discount that will be amortized, net of taxes. The impact to retained earnings on the Condensed Consolidated Balance Sheets as of April 4, 2021 is an increase of $1.0 million.

3. RESTRUCTURING

On an ongoing basis, the Company reviews the global economy, the healthcare industry, and the markets in which it competes to identify opportunities for efficiencies, enhance commercial capabilities, align its resources and offer its customers better solutions. In order to realize these opportunities, the Company undertakes restructuring-type activities to transform its business.

In July 2019, the Board of Directors of the Company approved the Operational Excellence Program (the "2020 Program") and delegated authority to the Company's management to determine the detail of the initiatives that will comprise the program. During the first quarter of fiscal 2022, the Company revised the program to improve product and service quality, reduce cost principally in its manufacturing and supply chain operations and ensure sustainability while helping to offset impacts from a previously announced customer loss, rising inflationary pressures and effects of the COVID-19 pandemic. The Company now expects to incur aggregate charges between $95 million and $105 million by the end of fiscal 2025. The majority of charges will result in cash outlays, including severance and other employee costs, and will be incurred as the specific actions required to execute these initiatives are identified and approved. During the three months ended July 3, 2021 and June 27, 2020, the Company incurred $9.9 million and $3.5 million, respectively, of restructuring and restructuring related costs under this program. Total cumulative charges under this program are $36.9 million.

The following table summarizes the activity for restructuring reserves related to the 2020 Program and prior programs for the three months ended July 3, 2021, substantially all of which relates to employee severance and other employee costs:

(In thousands)	2020 Program	Prior Programs	Total
Balance at April 3, 2021	$ 575	$ 437	$ 1,012
Costs incurred, net of reversals	3,391	29	3,420
Payments	(63)	—	(63)
Non-cash adjustments	—	11	11
Balance at July 3, 2021	$ 3,903	$ 477	$ 4,380

The following presents the restructuring costs by line item within our accompanying unaudited Condensed Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income:

	Three Months Ended	
(In thousands)	July 3, 2021	June 27, 2020
Cost of goods sold	$ 2,253	$ 503
Research and development	105	319
Selling, general and administrative expenses	1,062	243
	$ 3,420	$ 1,065

As of July 3, 2021, the Company had a restructuring liability of $4.4 million, of which $3.9 million is payable within the next twelve months.

In addition to the restructuring costs included in the table above, the Company also incurred costs that do not constitute restructuring under ASC 420, *Exit and Disposal Cost Obligations*, and which the Company instead refers to as restructuring related costs. These costs consist primarily of expenditures directly related to the restructuring actions and include program management costs associated with the implementation of outsourcing initiatives and recent accounting standards.

The tables below present restructuring and restructuring related costs by reportable segment:

Restructuring costs	**Three Months Ended**	
(In thousands)	**July 3, 2021**	**June 27, 2020**
Plasma	$ 2,288	$ 568
Blood Center	3	154
Hospital	(38)	129
Corporate	1,167	214
Total	$ 3,420	$ 1,065

Restructuring related costs	**Three Months Ended**	
(In thousands)	**July 3, 2021**	**June 27, 2020**
Plasma	$ 1,738	$ —
Blood Center	490	16
Hospital	133	9
Corporate	4,274	2,910
Total	$ 6,635	$ 2,935

Total restructuring and restructuring related costs	**$ 10,055**	**$ 4,000**

4. ACQUISITIONS

On January 17, 2021, the Company entered into an Agreement and Plan of Merger with Cardiva Medical, Inc. (“Cardiva”), an industry-leading manufacturer of vascular closure systems based in Santa Clara, California. In connection with this acquisition, which closed on March 1, 2021, the Company acquired 100% of the issued and outstanding shares of capital stock of Cardiva for total consideration of $489.8 million, which consisted of upfront payments in the aggregate of $465.5 million ($418.2 million net of cash acquired) and the fair value of contingent consideration of $24.3 million. The contingent consideration, which could total a maximum of $35.0 million is payable over the next two years based on sales growth. The Company financed the acquisition through a combination of cash, borrowings under its revolving credit facility and an additional $150.0 million term loan under the existing credit facility.

Cardiva’s portfolio includes two catheter-based vascular access site closure devices. The VASCADE® vascular closure system is designed for “small-bore” femoral arterial and venous closure, generally used in interventional cardiology and peripheral vascular procedures. The VASCADE MVP® vascular closure system is designed for “mid-bore” multi-access femoral venous closure, generally used in electrophysiology procedures, and is the only U.S. Food and Drug Administration (“FDA”) approved closure device for use following cardiac ablation procedures requiring two or more access sites within the same vessel. The addition of the VASCADE portfolio to the Hospital business unit includes products with demonstrated benefits and enhances penetration into the large and growing interventional cardiology and electrophysiology markets.

Purchase Price Allocation

The Company accounted for the acquisition as a business combination, and in accordance with FASB ASC Topic 805, Business Combinations (Topic 805), recorded the assets acquired and liabilities assumed at their fair values as of the acquisition date. The fair value of assets acquired and liabilities assumed have been recognized based on management’s estimates and assumptions using the information regarding facts and circumstances that existed at the closing date. The assessment of fair value is preliminary and is based on information that was available at the time the consolidated financial statements were prepared. The most significant open items included the valuation of certain intangible assets and the accounting for income taxes as the Company is awaiting additional information to complete its assessment of these matters. Measurement period adjustments will be recorded in the period in which they are determined, as if they had been completed at the acquisition date. The finalization of the Company’s purchase accounting assessment could result in changes in the valuation of assets acquired and liabilities assumed, which could be material. The final determination of the fair value of certain assets and liabilities will be completed within the measurement period as required by Topic 805. As of July 3, 2021, the valuation studies necessary to determine the fair market value of the assets acquired and liabilities assumed are preliminary, including the projection of the underlying cash flows used to determine the fair value of the identified tangible, intangible and financial assets and liabilities.

The purchase price of $442.3 million, net of $47.3 million of cash acquired, consisted of the amounts presented below, which represent the preliminary determination of the fair value of the identifiable assets acquired and liabilities assumed:

(In thousands)		**March 1, 2021**
Accounts receivable	$	7,304
Inventories		18,765
Prepaid expenses and other current assets		850
Property, plant and equipment		1,186
Intangible assets		253,929
Goodwill		251,407
Other long-term assets		1,868
Total assets acquired	**$**	**535,309**
Accounts payable		3,292
Accrued payroll and related costs		58,211
Other liabilities		1,853
Deferred tax liability		27,912
Other long-term liabilities		1,772
Total liabilities assumed	**$**	**93,040**
Net assets acquired	**$**	**442,269**

The Company determined the identifiable intangible assets were completed technology, customer relationships and trademarks. The fair values of intangible assets were based on valuation techniques with estimates and assumptions developed by the Company. Completed technology was valued using the excess earnings method. Customer relationships were valued using the distributor method. Trademarks were valued using the relief from royalty method. The cash flows used in the valuation of the intangible assets were based on estimates used to price the transaction. In developing the discount rates applied to the cash flow projections, the discount rates were benchmarked with reference to the implied rate of return from the transaction model and the weighted average cost of capital and then adjusted to reflect the relative risk of the asset. As of July 3, 2021, the valuation of the intangible assets is preliminary as the Company is still gathering information related to the assets' cash flow projections.

The excess of the purchase price over the tangible assets, identifiable intangible assets and assumed liabilities was recorded as goodwill. As a result of the acquisition of Cardiva, the Company recognized goodwill of $251.4 million, which is attributable to the revenue and cash flow projections associated with completed technologies and the development of future technology that does not exist in the current in-process research and development ("IPR&D") pipeline. The goodwill is not deductible for tax purposes and relates entirely to the Hospital reportable segment.

Intangible assets acquired consist of the following:

(In thousands)		**Amount**	**Weighted-Average Amortization Period**	**Risk-Adjusted Discount Rates used in Purchase Price Allocation**
Completed technology	$	230,326	13 years	13.5 %
Customer relationships		18,166	12 years	13.0 %
Trademarks		5,437	13 years	13.5 %
Total	**$**	**253,929**		

The Company recorded a long-term deferred tax liability, net, of $27.9 million primarily related to definite-lived intangible assets which cannot be deducted for tax purposes, partially offset by deferred tax assets primarily related to net operating losses acquired.

Acquisition-Related Costs

The amount of acquisition-related costs incurred associated with the acquisition was $9.6 million for the fiscal year ending April 3, 2021. The Company incurred acquisition costs related legal and other professional fees in the amount of $6.6 million and an additional $3.0 million of debt financing costs and lender fees which were recognized in selling, general and administrative and as interest expense on the unaudited Condensed Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income, respectively.

HAS Intellectual Property

In January 2021, the Company entered into an agreement to acquire certain intellectual property owned by HemoAssay Science and Technology (Suzhou) Co. Ltd., a China-incorporated company, and its affiliates (collectively, "HemoAssay") underlying their HAS viscoelastic diagnostic devices, related assays and disposables. The Company previously entered into exclusive manufacturing and distribution agreements with HemoAssay pursuant to which it has exclusive rights to commercialize HemoAssay's HAS devices in China. In connection with the transaction, the Company has agreed to pay up to $15.0 million to HemoAssay in contingent consideration based on certain developmental and manufacturing based milestones. During the three months ended July 3, 2021, the Company made $2.5 million of milestone payments which were recorded within intangible assets on the Condensed Consolidated Balance Sheets. These products augment the Company's portfolio of hemostasis analyzers within the Hospital business unit.

enicor GmbH

On April 1, 2020, the Company acquired all of the outstanding equity of enicor GmbH ("enicor"), the manufacturer of ClotPro®, a new generation whole blood coagulation testing system that is currently available in select European and Asia Pacific markets, for total consideration of $20.5 million, which consisted of upfront payments of $16.6 million and the fair value of contingent consideration of $3.9 million. The contingent consideration, which could total a maximum of $4.5 million, consists of payments related to the achievement of certain revenue and regulatory milestones. The acquisition of this viscoelastic diagnostic device augments the Company's portfolio of hemostasis analyzers within the Hospital business unit.

Purchase Price Allocation

The Company accounted for the acquisition of enicor as a business combination, and in accordance with FASB ASC Topic 805, *Business Combinations* (*Topic 805*), recorded the assets acquired and liabilities assumed at their respective fair values as of the acquisition date.

The following amounts represent the determination of the fair value of the identifiable assets acquired and liabilities assumed for enicor completed during fiscal 2021:

(In thousands)		**April 1, 2020**
Inventory	$	634
Other current assets		685
Property, plant and equipment		289
Intangible assets		14,090
Goodwill		8,153
Total assets acquired	**$**	**23,851**
Other current liabilities		289
Deferred tax liability		3,036
Total liabilities assumed	**$**	**3,325**
Net assets acquired	**$**	**20,526**

The Company determined the identifiable intangible assets were completed technology, customer relationships and a trademark. The fair value of the intangible assets was estimated using the income approach, and the cash flow projections were discounted using a rate of 20%. The cash flows were based on estimates used to price the transaction, and the discount rates applied were benchmarked with reference to the implied rate of return from the transaction model and the weighted average cost of capital. The benefits of adding a viscoelastic diagnostic device to the Company's portfolio of hemostasis analyzers within the Hospital business unit contributed to an acquisition price in excess of the fair value of net assets acquired for enicor, which resulted in the establishment of goodwill. In addition, the benefits of lower cost manufacturing and complementary sales channels also contributed to the establishment of goodwill for this acquisition. None of the goodwill is expected to be deductible for income tax purposes.

Intangible assets acquired consist of the following:

(In thousands)	Amount	Weighted-Average Amortization Period	Risk-Adjusted Discount Rates used in Purchase Price Allocation
Completed technology	$ 13,441	10 Years	20 %
Customer relationships	347	10 Years	20 %
Trademark	302	10 Years	20 %
Total	**$ 14,090**		

Acquisition-Related Costs

The amount of acquisition-related costs incurred associated with the acquisition was $0.2 million for the three months ended June 27, 2020.

5. DIVESTITURES

Fajardo, Puerto Rico Manufacturing Operations

On June 29, 2020, the Company sold its Fajardo, Puerto Rico, manufacturing operations to GVS, S.p.A ("GVS"), a leading provider of advanced filtration solutions for critical applications for $15.1 million ($7.8 million, net of cash transferred). Under the terms of the agreement, Haemonetics retained all intellectual property rights to its proprietary blood filters currently manufactured at its Fajardo facility and GVS acquired certain assets consisting primarily of property, plant and equipment, inventory and cash and has assumed certain related liabilities. In connection with this transaction, the Company and GVS also entered into a long-term supply and development agreement that, among other things, grants GVS exclusive rights to manufacture and supply the blood filters currently produced at the Fajardo facility for Haemonetics. The Company also agreed to provide certain transition services to GVS, generally for a period of up to three months depending on the nature of the service.

As a result of this transaction, Haemonetics recognized a pre-tax impairment charge in its Blood Center business unit of $1.0 million in the first quarter of fiscal 2021 and an incremental loss of $0.4 million based on closing adjustments during the third quarter of fiscal 2021, as the carrying value of the assets and liabilities in the asset transfer exceeded the net of the $15.1 million of cash proceeds and an additional contingent liability of $1.5 million. The disposal group consisted of $3.3 million of inventory, $7.2 million of fixed assets, $3.2 million of other liabilities, and $0.4 million of goodwill allocated based on fair value to the business.

U.S. Blood Donor Management Software

On July 1, 2020, the Company sold certain U.S. blood donor management software solution assets within its Blood Center business unit to the GPI Group ("GPI") for an upfront cash payment of $14.0 million ($13.6 million, net of working capital adjustments) and up to $14.0 million in additional consideration contingent on the achievement of commercial milestones over the twelve month period immediately following the closing of the transaction. The disposal group consisted of $1.4 million of accounts receivable, $0.9 million of intangible assets, other liabilities of $1.8 million and $1.4 million of goodwill allocated based on fair value to the business. The Company recognized a gain of $13.2 million associated with the transaction in fiscal 2021. During the three months ended July 3, 2021, the Company recognized an additional gain of $9.6 million for contingent consideration earned.

Inlog Holdings France

On September 18, 2020, the Company sold its wholly-owned subsidiary Inlog Holdings France SAS to Abénex Capital (“Abénex”), a private equity firm based in France for $30.5 million ($24.5 million, net of cash transferred). Inlog Holdings France SAS, through its subsidiary In Log SAS, develops and sells blood bank and hospital software solutions used predominantly in France and in several other countries outside of the U.S. The disposal group included $2.2 million of intangible assets, $2.2 million of accounts receivable, $0.3 million of other assets, $3.3 million of liabilities and $3.3 million of goodwill allocated based on the fair value of the business which impacted both the Blood Center and Hospital business units. The Company recognized a gain of $20.0 million upon closing of the transaction in the second quarter of fiscal 2021.

6. INCOME TAXES

The Company conducts business globally and reports its results of operations in a number of foreign jurisdictions in addition to the United States. The Company's reported tax rate is impacted by the jurisdictional mix of earnings in any given period as the foreign jurisdictions in which it operates have tax rates that differ from the U.S. statutory tax rate.

For the three months ended July 3, 2021, the Company reported income tax expense of $1.4 million representing an effective tax rate of (48.1)%. The effective tax rate for the three months ended July 3, 2021 includes $0.8 million of discrete tax expense relating to stock compensation shortfalls.

For the three months ended June 27, 2020, the Company reported an income tax benefit of $2.5 million representing an effective tax rate benefit of 31.9%. The effective tax rate for the three months ended June 27, 2020 includes discrete tax benefits recognized from excess stock compensation deductions of $4.0 million. The effective tax rate was also impacted by the jurisdictional mix of earnings. During the three months ended June 27, 2020, the Company transferred certain intangible assets amongst its wholly-owned subsidiaries prior to the divestiture of its Fajardo, Puerto Rico manufacturing operations. The tax expense on the intercompany sale and establishment of deferred tax assets (including the associated valuation allowance impacts) was included in the computation of the annual effective tax rate.

7. EARNINGS PER SHARE

The following table provides a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations.

	Three Months Ended	
(In thousands, except per share amounts)	**July 3, 2021**	**June 27, 2020**
Basic EPS		
Net (loss) income	$ (4,454)	$ 10,527
Weighted average shares	50,939	50,418
Basic income per share	**$ (0.09)**	**$ 0.21**
Diluted EPS		
Net (loss) income	$ (4,454)	$ 10,527
Basic weighted average shares	50,939	50,418
Net effect of common stock equivalents	—	829
Diluted weighted average shares	50,939	51,247
Diluted income per share	**$ (0.09)**	**$ 0.21**

Basic earnings per share is calculated using the Company's weighted-average outstanding common stock. Diluted earnings per share is calculated using its weighted-average outstanding common stock including the dilutive effect of stock awards as determined under the treasury stock method and the convertible senior notes as determined under the net share settlement method. From the time of the issuance of the convertible senior notes, the average market price of the Company's common shares has been less than the initial conversion price, and consequently no shares have been included in diluted earnings per share for the conversion value of the convertible senior notes. For the three months ended July 3, 2021, the Company recognized a net loss; therefore it excluded the impact of outstanding stock awards from the diluted loss per share calculation as its inclusion would have an anti-dilutive effect. For the three months ended June 27, 2020, weighted average shares outstanding, assuming dilution, excludes the impact of 0.5 million anti-dilutive shares.

8. REVENUE

The Company's revenue recognition policy is to recognize revenues from product sales, software and services in accordance with ASC Topic 606, *Revenue from Contracts with Customers*. Revenue is recognized when obligations under the terms of a contract with a customer are satisfied; this occurs with the transfer of control of the Company's goods or services. The Company considers revenue to be earned when all of the following criteria are met: it has a contract with a customer that creates enforceable rights and obligations; promised products or services are identified; the transaction price, or the consideration it expects to receive for transferring goods or providing services, is determinable and it has transferred control of the promised items to the customer. A promise in a contract to transfer a distinct good or service to the customer is identified as a performance obligation. A contract's transaction price is allocated to each performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. Some of the Company's contracts have multiple performance obligations. For contracts with multiple performance obligations, the Company allocates the contract's transaction price to each performance obligation based on the estimated standalone selling prices of the good or service in the contract. For goods or services for which observable standalone selling prices are not available, the Company uses an expected cost plus a margin approach to estimate the standalone selling price of each performance obligation.

As of July 3, 2021, the Company had $18.4 million of its transaction price allocated to remaining performance obligations related to executed contracts with an original duration of one year or more. The Company expects to recognize approximately 69% of this amount as revenue within the next twelve months and the remaining balance thereafter.

The timing of revenue recognition, billings and cash collections results in billed accounts receivable, unbilled receivables (contract assets), and customer advances and deposits (contract liabilities) on the Condensed Consolidated Balance Sheets. The difference in timing between billing and revenue recognition primarily occurs in software licensing arrangements, resulting in contract assets and contract liabilities.

As of July 3, 2021 and April 3, 2021, the Company had contract assets of $4.8 million and $4.8 million, respectively. Contract assets are classified as other current assets and other long-term assets on the Condensed Consolidated Balance Sheets.

As of July 3, 2021 and April 3, 2021, the Company had contract liabilities of $24.2 million and $20.9 million, respectively. During the three months ended July 3, 2021, the Company recognized $8.6 million of revenue that was included in the above April 3, 2021 contract liability balance.

9. INVENTORIES

Inventories are stated at the lower of cost or market and include the cost of material, labor and manufacturing overhead. Cost is determined using the first-in, first-out method.

(In thousands)	July 3, 2021	April 3, 2021
Raw materials	$ 75,278	$ 74,910
Work-in-process	26,562	23,111
Finished goods	224,660	224,593
Total inventories	**$ 326,500**	**$ 322,614**

10. LEASES

Lessee Activity

During fiscal 2021, the Company entered into a lease for manufacturing space in Clinton, PA. The Company's current manufacturing operations in Leetsdale, PA will be relocated. The lease term associated with the new manufacturing facility is 15 years and 7 months and includes two five year renewal options followed by one four year renewal option. During fiscal 2021, the Company recorded a right-of-use asset of $11.3 million and corresponding liabilities of $15.4 million upon commencement of the lease term in May 2020. In addition, the Company recorded a $4.1 million lease incentive receivable associated with this lease agreement which was received during fiscal 2021.

Lessor Activity

Assets on the Company's balance sheet classified as Haemonetics equipment primarily consists of medical devices installed at customer sites but owned by Haemonetics. These devices are leased to customers under contractual arrangements that typically include an operating or sales-type lease as well as the purchase and consumption of a certain level of disposable products. Sales-type leases are not significant. Contract terms vary by customer and may include options to terminate the contract or options to extend the contract. Where devices are provided under operating lease arrangements, a substantial majority of the entire lease revenue is variable and subject to subsequent non-lease component (disposable products) sales. The allocation of revenue between the lease and non-lease components is based on stand-alone selling prices. Operating lease revenue represents less than 3 percent of the Company's total net sales.

11. NOTES PAYABLE AND LONG-TERM DEBT

Convertible Senior Notes

In March 2021, the Company issued $500.0 million aggregate principal amount of 0% convertible senior notes due 2026 (the “2026 Notes”). The 2026 Notes are governed by the terms of the Indenture between the Company and U.S. Bank National Association, as trustee (the “Indenture”). The total net proceeds from the sale of the 2026 Notes, after deducting the initial purchasers’ discounts and debt issuance costs, were approximately $486.7 million. The 2026 Notes will mature on March 1, 2026, unless earlier converted, redeemed or repurchased.

During the first quarter of fiscal 2022, the conditions allowing holders of the 2026 Notes to convert have not been met. The 2026 Notes were therefore not convertible as of July 3, 2021 and were classified as long-term debt on the Company’s Condensed Consolidated Balance Sheets.

In accounting for the issuance of the 2026 Notes, the 2026 Notes were separated into liability and equity components. The Company estimated the liability and equity components of the 2026 Notes to be $416.4 million and $83.6 million respectively, at the issuance date. On April 4, 2021, the Company adopted ASC Update No. 2020-06 using the modified retrospective method, which resulted in a decrease of $61.2 million to additional paid-in capital, a decrease to non-current deferred tax liabilities of $20.0 million, and an increase of $80.3 million to non-current convertible notes, net, on the Condensed Consolidated Balance Sheets. Additionally, retained earnings was adjusted to remove amortization expense recognized in prior periods related to the debt discount and the convertible notes no longer have a debt discount that will be amortized, net of taxes. The impact to retained earnings on the Condensed Consolidated Balance Sheets as of April 4, 2021 is an increase of $1.0 million.

As of July 3, 2021, the $500.0 million principal balance was netted down by $12.5 million of deferred financing costs.

Credit Facilities

On June 15, 2018, the Company entered into a credit agreement with certain lenders which provided for a $350.0 million term loan (the “Term Loan”) and a $350.0 million revolving loan (the “Revolving Credit Facility” and together with the Term Loan, as amended from time to time, the “Credit Facilities”). The Credit Facilities expire on June 15, 2023. Interest on the Credit Facilities is established using LIBOR plus 1.13% - 1.75%, depending on the Company's leverage ratio. Under the Credit Facilities, the Company is required to maintain certain leverage and interest coverage ratios specified in the credit agreement as well as other customary non-financial affirmative and negative covenants. At July 3, 2021, $297.5 million was outstanding under the Term Loan with an effective interest rate of 1.9%. There were no borrowings outstanding on the Revolving Credit Facility. The Company also has $25.5 million of uncommitted operating lines of credit to fund its global operations under which there were no outstanding borrowings as of July 3, 2021.

The Company has required scheduled principal payments of $13.1 million during the remainder of fiscal 2022, $214.4 million during fiscal 2023 and $70.0 million during fiscal 2024.

The Company was in compliance with the leverage and interest coverage ratios specified in the Credit Facilities as well as all other bank covenants as of July 3, 2021.

12. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

The Company manufactures, markets and sells its products globally. During the three months ended July 3, 2021, 38.3% of the Company's sales were generated outside the U.S., generally in foreign currencies. The Company also incurs certain manufacturing, marketing and selling costs in international markets in local currency.

Accordingly, earnings and cash flows are exposed to market risk from changes in foreign currency exchange rates relative to the U.S. Dollar, the Company's reporting currency. The Company has a program in place that is designed to mitigate the exposure to changes in foreign currency exchange rates. That program includes the use of derivative financial instruments to minimize, for a period of time, the impact on its financial results from changes in foreign exchange rates. The Company utilizes foreign currency forward contracts to hedge the anticipated cash flows from transactions denominated in foreign currencies, primarily the Japanese Yen and the Euro, and to a lesser extent the Swiss Franc, Australian Dollar, Canadian Dollar and the Mexican Peso. This does not eliminate the impact of the volatility of foreign exchange rates. However, because the Company generally enters into forward contracts one year out, rates are fixed for a one-year period, thereby facilitating financial planning and resource allocation.

Designated Foreign Currency Hedge Contracts

All of the Company's designated foreign currency hedge contracts as of July 3, 2021 and April 3, 2021 were cash flow hedges under ASC 815, *Derivatives and Hedging* (“ASC 815”). The Company records the effective portion of any change in the fair value of designated foreign currency hedge contracts in other comprehensive income until the related third-party transaction occurs. Once the related third-party transaction occurs, the Company reclassifies the effective portion of any related gain or loss on the designated foreign currency hedge contracts to earnings. In the event the hedged forecasted transaction does not occur, or it becomes probable that it will not occur, the Company would reclassify the amount of any gain or loss on the related cash flow hedge to earnings at that time. The Company had designated foreign currency hedge contracts outstanding in the contract amount of $40.5 million as of July 3, 2021 and $56.0 million as of April 3, 2021. At July 3, 2021, a loss of $0.9 million, net of tax, will be reclassified to earnings within the next twelve months. Substantially all currency cash flow hedges outstanding as of July 3, 2021 mature within twelve months.

Non-Designated Foreign Currency Contracts

The Company manages its exposure to changes in foreign currency on a consolidated basis to take advantage of offsetting transactions and balances. It uses foreign currency forward contracts as a part of its strategy to manage exposure related to foreign currency denominated monetary assets and liabilities. These foreign currency forward contracts are entered into for periods consistent with currency transaction exposures, generally one month. They are not designated as cash flow or fair value hedges under ASC 815. These forward contracts are marked-to-market with changes in fair value recorded to earnings. The Company had non-designated foreign currency hedge contracts under ASC 815 outstanding in the contract amount of $82.4 million as of July 3, 2021 and $95.6 million as of April 3, 2021.

Interest Rate Swaps

On June 15, 2018, the Company entered into Credit Facilities which provided for a $350.0 million Term Loan and a $350.0 million Revolving Credit Facility. Under the terms of the Credit Facilities, interest is established using LIBOR plus 1.13% - 1.75%. As a result, the Company's earnings and cash flows are exposed to interest rate risk from changes to LIBOR. Part of the Company's interest rate risk management strategy includes the use of interest rate swaps to mitigate its exposure to changes in variable interest rates. The Company's objective in using interest rate swaps is to add stability to interest expense and to manage and reduce the risk inherent in interest rate fluctuations.

In August 2018, the Company entered into two interest rate swap agreements (the “Swaps”) to pay an average fixed rate of 2.80% on a total notional value of $241.9 million of debt. As a result of the Swaps, 70% of the Term Loan previously exposed to interest rate risk from changes in LIBOR is now fixed at a rate of 4.05%. The Swaps mature on June 15, 2023. The Company designated the Swaps as cash flow hedges of variable interest rate risk associated with $345.6 million of indebtedness. For the three months ended July 3, 2021, a gain of $2.0 million, net of tax, was recorded in accumulated other comprehensive loss to recognize the effective portion of the fair value of the Swaps that qualify as cash flow hedges.

Trade Receivables

In the ordinary course of business, the Company grants trade credit to its customers on normal credit terms. In an effort to reduce its credit risk, the Company (i) establishes credit limits for all customers, (ii) performs ongoing credit evaluations of customers' financial condition, (iii) monitors the payment history and aging of customers' receivables, and (iv) monitors open orders against an individual customer's outstanding receivable balance.

The Company's allowance for credit losses is maintained for trade accounts receivable based on the expected collectability, the historical collection experience, the length of time an account is outstanding, the financial position of the customer and information provided by credit rating services. Effective March 29, 2020, the Company adopted Update No. 2016-13, *Financial Instruments – Credit Losses (Topic 326)* which requires consideration of events or circumstances indicating historic collection rates may not be indicative of future collectability. For example, potential adverse changes to customer liquidity from new macroeconomic events such as the COVID-19 pandemic must be taken into consideration. To date, the Company has not experienced significant customer payment defaults, or identified other significant collectability concerns as a result of the pandemic.

The following is a rollforward of the allowance for credit losses:

	Three Months Ended	
(In thousands)	July 3, 2021	June 27, 2020
Beginning balance	**$ 2,226**	**$ 3,824**
Credit (gain) loss	27	(259)
Write-offs	(17)	(119)
Ending balance	**$ 2,236**	**$ 3,446**

Fair Value of Derivative Instruments

The following table presents the effect of the Company's derivative instruments designated as cash flow hedges and those not designated as hedging instruments under ASC 815 in its unaudited Condensed Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income for the three months ended July 3, 2021:

(In thousands)	Amount of Gain (Loss) Recognized in Accumulated Other Comprehensive Loss	Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss into Earnings	Location in Condensed Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income	Amount of Gain (Loss) Excluded from Effectiveness Testing	Location in Condensed Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income
Designated foreign currency hedge contracts, net of tax	$ (897)	$ 329	Net revenues, COGS and SG&A	$ 371	Interest and other expense, net
Non-designated foreign currency hedge contracts	$ —	$ —		$ (489)	Interest and other expense, net
Designated interest rate swaps, net of tax	$ 973	$ (1,130)	Interest and other expense, net	$ —	

The Company did not have fair value hedges or net investment hedges outstanding as of July 3, 2021 or April 3, 2021. As of July 3, 2021, no material deferred tax assets were recognized for designated foreign currency hedges.

ASC 815 requires all derivative instruments to be recognized at their fair values as either assets or liabilities on the balance sheet. The Company determines the fair value of its derivative instruments using the framework prescribed by ASC 820, *Fair Value Measurements and Disclosures*, by considering the estimated amount it would receive or pay to sell or transfer these instruments at the reporting date and by taking into account current interest rates, currency exchange rates, current interest rate curves, interest rate volatilities, the creditworthiness of the counterparty for assets, and its creditworthiness for liabilities. In certain instances, the Company may utilize financial models to measure fair value. Generally, it uses inputs that 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; other observable inputs for the asset or liability; and inputs derived principally from, or corroborated by, observable market data by correlation or other means. As of July 3, 2021, the Company has classified its derivative assets and liabilities within Level 2 of the fair value hierarchy prescribed by ASC 815, as discussed below, because these observable inputs are available for substantially the full term of its derivative instruments.

The following tables present the fair value of the Company's derivative instruments as they appear in its Condensed Consolidated Balance Sheets as of July 3, 2021 and April 3, 2021:

(In thousands)	Location in Condensed Consolidated Balance Sheets	As of July 3, 2021	As of April 3, 2021
Derivative Assets:			
Designated foreign currency hedge contracts	Other current assets	$ 1,680	$ 2,061
Non-designated foreign currency hedge contracts	Other current assets	182	104
		$ 1,862	**$ 2,165**
Derivative Liabilities:			
Designated foreign currency hedge contracts	Other current liabilities	$ 186	$ 454
Non-designated foreign currency hedge contracts	Other current liabilities	69	349
Designated interest rate swaps	Other current liabilities	5,540	5,550
Designated interest rate swaps	Other long-term liabilities	3,031	4,301
		$ 8,826	**$ 10,654**

Other Fair Value Measurements

Fair value is defined as the exit price that would be received from the sale of an asset or paid to transfer a liability, using assumptions that market participants would use in pricing an asset or liability. The fair value guidance establishes the following three-level hierarchy used for measuring fair value:

- Level 1 — Inputs to the valuation methodology are quoted market prices for identical assets or liabilities.
- Level 2 — Inputs to the valuation methodology are other observable inputs, including quoted market prices for similar assets or liabilities and market-corroborated inputs.
- Level 3 — Inputs to the valuation methodology are unobservable inputs based on management’s best estimate of inputs market participants would use in pricing the asset or liability at the measurement date, including assumptions about risk.

The Company's money market funds carried at fair value are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices.

Fair Value Measured on a Recurring Basis

Financial assets and financial liabilities measured at fair value on a recurring basis consist of the following as of July 3, 2021 and April 3, 2021.

	As of July 3, 2021			
(In thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Money market funds	$ 20,677	$ —	$ —	$ 20,677
Designated foreign currency hedge contracts	—	1,680	—	1,680
Non-designated foreign currency hedge contracts	—	182	—	182
	$ 20,677	**$ 1,862**	**$ —**	**$ 22,539**
Liabilities				
Designated foreign currency hedge contracts	$ —	$ 186	$ —	$ 186
Non-designated foreign currency hedge contracts	—	69	—	69
Designated interest rate swaps	—	8,571	—	8,571
Contingent consideration	—	—	38,402	38,402
	$ —	**$ 8,826**	**$ 38,402**	**$ 47,228**

	As of April 3, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Money market funds	$ 49,699	$ —	$ —	$ 49,699
Designated foreign currency hedge contracts	—	2,061	—	2,061
Non-designated foreign currency hedge contracts	—	104	—	104
	$ 49,699	**$ 2,165**	**$ —**	**$ 51,864**
Liabilities				
Designated foreign currency hedge contracts	$ —	$ 454	$ —	$ 454
Non-designated foreign currency hedge contracts	—	349	—	349
Designated interest rate swaps	—	9,851	—	9,851
Contingent Consideration	—	—	28,733	28,733
	$ —	**$ 10,654**	**$ 28,733**	**$ 39,387**

Foreign currency hedge contracts - The fair value of foreign currency hedge contracts was measured using significant other observable inputs and valued by reference to over-the-counter quoted market prices for similar instruments. The Company does not believe that the fair value of these derivative instruments differs significantly from the amount that could be realized upon settlement or maturity, or that the changes in fair value will have a significant effect on its results of operations, financial condition or cash flows.

Interest rate swaps - The fair values of interest rate swaps are measured using the present value of expected future cash flows using market-based observable inputs, including credit risk and interest rate yield curves. The Company does not believe that the fair values of these derivative instruments differ significantly from the amounts that could be realized upon settlement or maturity, or that the changes in fair value will have a significant effect on its results of operations, financial condition or cash flows.

Contingent consideration - The fair value of contingent consideration liabilities is based on significant unobservable inputs, including management estimates and assumptions, and is measured based on the probability-weighted present value of the payments expected to be made. Accordingly, the fair value of contingent consideration has been classified as level 3 within the fair value hierarchy. The recurring level 3 fair value measurements of contingent consideration liabilities include the following significant unobservable inputs:

(In thousands)	Fair Value at July 3, 2021	Valuation Technique	Unobservable Input	Range
Revenue-based payments	$ 34,073	Monte Carlo Simulation Model	Discount rate	2.2%
			Projected year of payment	2022 - 2023
Revenue-based payments	$ 2,119	Discounted cash flow	Discount rate	8.5%
			Projected year of payment	2021 - 2023
Regulatory-based payment	$ 2,210	Discounted cash flow	Discount rate	4.9%
			Probability of payment	0% - 100%
			Projected year of payment	2021 - 2023

As of July 3, 2021, the maximum potential contingent consideration that the Company could be required to pay is $39.5 million. During three months ended July 3, 2021, the Company increased the fair value of the contingent consideration related to the acquisition of Cardiva by $9.8 million, which was recorded as selling, general and administrative expenses within the unaudited Condensed Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income. The fair value of contingent consideration associated with acquisitions was $38.4 million at July 3, 2021. As of July 3, 2021, $31.7 million was included in other liabilities and $6.7 million was included in other long-term liabilities on the condensed consolidated balance sheet.

A reconciliation of the change in the fair value of contingent consideration is included in the following table:

(In thousands)		
Balance at April 3, 2021	$	28,733
Change in fair value		9,774
Currency translation		(105)
Balance at July 3, 2021	**$**	**38,402**

Other Fair Value Disclosures

The Term Loan, which is carried at amortized cost, accounts receivable and accounts payable approximate fair value.

13. COMMITMENTS AND CONTINGENCIES

The Company is a party to various legal proceedings and claims arising out of the ordinary course of its business. The Company believes there are no proceedings or claims pending against it the ultimate resolution of which could have a material adverse effect on the financial condition or results of operations. At each reporting period, the Company evaluates whether or not a potential loss amount or a potential range of loss is probable and reasonably estimable under ASC 450, *Contingencies*, for all matters. Legal costs are expensed as incurred.

During the third quarter of fiscal 2021, the Company received a subpoena from the U.S. Attorney’s Office for the District of Massachusetts. The subpoena requests certain documents regarding the Company’s apheresis and autotransfusion devices and disposables, including documents relating to product complaints and adverse event reporting, regulatory clearances and product design changes, among other matters. The Company is fully cooperating with this inquiry.

14. SEGMENT AND ENTERPRISE-WIDE INFORMATION

The Company determines its reportable segments by first identifying its operating segments, and then by assessing whether any components of these segments constitute a business for which discrete financial information is available and where segment management regularly reviews the operating results of that component. The Company's reporting structure aligns with its operating structure of three global business units and the information that is regularly reviewed by the Company's chief operating decision maker.

The Company's reportable segments are as follows:

- Plasma
- Blood Center
- Hospital

Management measures and evaluates the operating segments based on operating income. Management excludes certain corporate expenses from segment operating income. In addition, certain amounts that management considers to be non-recurring or non-operational are excluded from segment operating income because management evaluates the operating results of the segments excluding such items. These items include restructuring and restructuring related costs, deal amortization, gains and losses on dispositions and sale of assets, asset impairments, accelerated device depreciation and related costs, costs related to compliance with the European Union Medical Device Regulation, transaction and integration costs and certain tax settlements and unusual or infrequent and material litigation-related charges. Although these amounts are excluded from segment operating income, as applicable, they are included in the reconciliations that follow. Management measures and evaluates the Company's net revenues and operating income using internally derived standard currency exchange rates that remain constant from year to year; therefore, segment information is presented on this basis.

Selected information by reportable segment is presented below:

	Three Months Ended	
(In thousands)	**July 3, 2021**	**June 27, 2020**
Net revenues		
Plasma	$ 71,803	$ 68,715
Blood Center	71,736	79,314
Hospital	77,607	45,571
Net revenues by business unit	221,146	193,600
Service [1]	5,268	5,082
Effect of exchange rates	2,114	(3,105)
Net revenues	**$ 228,528**	**$ 195,577**

[1] Reflects revenue for service, maintenance and parts

	Three Months Ended	
(In thousands)	**July 3, 2021**	**June 27, 2020**
Segment operating income		
Plasma	$ 35,346	$ 36,350
Blood Center	33,882	38,745
Hospital	31,597	17,783
Segment operating income	100,825	92,878
Corporate expenses [1]	(68,731)	(65,062)
Effect of exchange rates	5,812	711
Integration and transaction costs	(16,733)	(1,290)
Deal amortization	(12,379)	(8,263)
Restructuring and restructuring related costs	(10,055)	(4,000)
Impairment of assets and PCS2 related charges	(3,643)	(2,506)
European Medical Device Regulation costs and other	(2,371)	(753)
Litigation-related charges	(938)	—
Gains on divestitures and sale of assets	9,603	—
Operating income	**$ 1,390**	**$ 11,715**

[1] Reflects shared service expenses including quality and regulatory, customer and field service, research and development, manufacturing and supply chain, as well as other corporate support functions.

Management reviews revenue based on the reportable segments noted above. Although these reportable segments are primarily product-based, they differ from the Company's product line revenues for Plasma products and services and Blood Center products and services. Specifically, the Blood Center reportable segment includes plasma products utilized for collection in blood centers primarily for transfusion purposes. Additionally, product line revenues also include service revenues which are excluded from the reportable segments.

Net revenues by product line are as follows:

(In thousands)	Three Months Ended July 3, 2021	Three Months Ended June 27, 2020
Plasma products and services	$ 90,509	$ 88,713
Blood Center products and services	57,747	60,667
Hospital products and services	80,272	46,197
Net revenues	**$ 228,528**	**$ 195,577**

Net revenues generated in the Company's principle operating regions on a reported basis are as follows:

(In thousands)	Three Months Ended July 3, 2021	Three Months Ended June 27, 2020
United States	$ 141,028	$ 111,009
Japan	17,221	16,831
Europe	43,335	43,019
Asia	25,952	22,384
Other	992	2,334
Net revenues	**$ 228,528**	**$ 195,577**

15. ACCUMULATED OTHER COMPREHENSIVE LOSS

The components of Accumulated Other Comprehensive Loss are as follows:

(In thousands)	Foreign Currency	Defined Benefit Plans	Net Unrealized Gain/(Loss) on Derivatives	Total
Balance as of April 3, 2021	**$ (21,528)**	**$ (560)**	**$ (7,459)**	**$ (29,547)**
Other comprehensive (loss) income before reclassifications[(1)]	(430)	—	76	(354)
Amounts reclassified from Accumulated Other Comprehensive Loss[(1)]	—	—	801	801
Net current period other comprehensive (loss) income	(430)	—	877	447
Balance as of July 3, 2021	**$ (21,958)**	**$ (560)**	**$ (6,582)**	**$ (29,100)**

(1) Presented net of income taxes, the amounts of which are insignificant.

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

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with both our interim condensed consolidated financial statements and notes thereto which appear elsewhere in this Quarterly Report on Form 10-Q and our annual consolidated financial statements, notes thereto and the MD&A contained in our Annual Report on Form 10-K for the fiscal year ended April 3, 2021. The following discussion may contain forward-looking statements and should be read in conjunction with the "Cautionary Statement Regarding Forward-Looking Information" in this discussion.

Introduction

Haemonetics is a global healthcare company dedicated to providing a suite of innovative medical products and solutions for customers to help them improve patient care and reduce the cost of healthcare. Our technology addresses important medical markets: blood and plasma component collection, the surgical suite and hospital transfusion services. When used in this report, the terms “we,” “us,” “our” and “the Company” mean Haemonetics.

We view our operations and manage our business in three principal reporting segments: Plasma, Blood Center and Hospital. For that purpose, “Plasma” includes plasma collection devices and disposables, plasma donor management software, and anticoagulant and saline sold to plasma customers. “Blood Center” includes blood collection and processing devices and disposables for red cells, platelets and whole blood. “Hospital”, which is comprised of Hemostasis Management, Cell Salvage, Transfusion Management and Vascular Closure products, includes devices and methodologies for measuring coagulation characteristics of blood, surgical blood salvage systems, specialized blood cell processing systems and disposables, blood transfusion management software and vascular closure devices.

We believe that Plasma and Hospital have growth potential, while Blood Center competes in challenging markets that require us to manage the business differently, including reducing costs, shrinking the scope of the current product line, and evaluating opportunities to exit unfavorable customer contracts.

Recent Developments

Operational Excellence Program

During the second quarter of fiscal 2022, our Board of Directors approved the revised Operational Excellence Program (the “2020 Program”). The revised program is designed to improve product and service quality, reduce cost principally in our manufacturing and supply chain operations and ensure sustainability while helping to offset impacts from a previously announced customer loss, rising inflationary pressures and effects of the COVID-19 pandemic. We now expect to incur aggregate charges between $95 million and $105 million by the end of fiscal 2025 and to achieve total gross savings of $115 million to $125 million on an annualized basis once the program is completed. The majority of charges will result in cash outlays, including severance and other employee costs, and will be incurred as the specific actions required to execute these initiatives are identified and approved. During the three months ended July 3, 2021 and June 27, 2020, the Company incurred $9.9 million and $3.5 million, respectively, of restructuring and restructuring related costs under this program. Total cumulative charges under this program are $36.9 million as of July 3, 2021.

CSL Contract Loss

In April 2021, CSL informed us of its intent not to renew its supply agreement for the use of PCS2 plasma collection system devices and the purchase of disposable plasmapheresis kits (the “Supply Agreement”) following the expiration of the current term of the Supply Agreement in June 2022. In fiscal year 2021, revenue under this Supply Agreement was $88.6 million, or 10.2% of total revenue. As a result of this anticipated contract loss, we recorded a $20.9 million one-time asset impairment charge relating to disposables manufacturing equipment and $5.0 million of additional expenses in the fourth quarter of fiscal 2021. In the first quarter of fiscal 2022, we incurred an additional $2.8 million of accelerated depreciation expense relating to disposables manufacturing equipment that is no longer in use.

COVID-19

We continue to closely manage the impacts of the COVID-19 pandemic on our business results of operations and financial condition. The progression of the COVID-19 pandemic during fiscal 2022 significantly impacted our financial results. While the duration and additional implications remain uncertain, the full extent of the impact will depend on future developments that are highly uncertain and cannot be accurately predicted, including new information that may emerge concerning COVID-19, the actions taken to contain it or treat its impact and the economic impact on local, regional, national and international markets.

Our priorities continue to be the safety of our employees and business continuity while continuing to invest in growth opportunities. Our manufacturing and supply chain remain operational without significant disruptions and we continue to operate in all of our markets.

Although the pace and timing of the recovery is uncertain, we remain confident in the long term strength of the end markets that we serve across our three business units. For additional information regarding the expected impacts to our business units and the various risks posed by the COVID-19 pandemic, refer to Results of Operations within Management's Discussion and

Analysis contained in this Quarterly Report on Form 10-Q and Risk Factors contained in Item 1A of the Annual Report on Form 10-K for the fiscal year ended April 3, 2021.

Financial Summary

(In thousands, except per share data)	Three Months Ended July 3, 2021	June 27, 2020	% Increase/ (Decrease)
Net revenues	$ 228,528	$ 195,577	*16.8 %*
Gross profit	$ 108,085	$ 90,030	*20.1 %*
% of net revenues	*47.3 %*	*46.0 %*	
Operating expenses	$ 106,695	$ 78,315	*36.2 %*
Operating income	$ 1,390	$ 11,715	*(88.1)%*
% of net revenues	*0.6 %*	*6.0 %*	
Interest and other expense, net	$ (4,398)	$ (3,735)	*17.8 %*
(Loss) income before provision (benefit) for income taxes	$ (3,008)	$ 7,980	*n/m*
Provision (benefit) for income taxes	$ 1,446	$ (2,547)	*n/m*
% of pre-tax income	*(48.1)%*	*(31.9)%*	
Net (loss) income	$ (4,454)	$ 10,527	*n/m*
% of net revenues	*(1.9)%*	*5.4 %*	
Net (loss) income per share - basic	$ (0.09)	$ 0.21	*n/m*
Net (loss) income per share - diluted	$ (0.09)	$ 0.21	*n/m*

Net revenues increased 16.8% during the three months ended July 3, 2021 as compared with the same periods of fiscal 2021. Without the effect of foreign exchange, net revenues increased 14.0% during the three months ended July 3, 2021 as compared with the same periods of fiscal 2021. Revenue increases in Hospital primarily drove the overall increase in revenue during the three months ended July 3, 2021.

Operating income decreased during the three months ended July 3, 2021, as compared with the same period of fiscal 2021, primarily due to increased spend related to the acquisition of Cardiva Medical, Inc. (“Cardiva”), including higher transaction and integration costs driven by an increase in the fair value of contingent consideration and the amortization of the fair value inventory step-up, as well as asset impairments and increased intangible amortization expense. The decrease was partially offset by favorable volumes and product mix, gains on divestitures and productivity savings from the 2020 Program.

Management's Use of Non-GAAP Measures

Management uses non-GAAP financial measures, in addition to financial measures in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), to monitor the financial performance of the business, make informed business decisions, establish budgets and forecast future results. These non-GAAP financial measures should be considered supplemental to, and not a substitute for, our reported financial results prepared in accordance with U.S. GAAP. Constant currency growth, a non-GAAP financial measure, measures the change in revenue between the current and prior year periods using a constant currency conversion rate. We have provided this non-GAAP financial measure because we believe it provides meaningful information regarding our results on a consistent and comparable basis for the periods presented.

RESULTS OF OPERATIONS

Net Revenues by Geography

	Three Months Ended				
(In thousands)	July 3, 2021	June 27, 2020	Reported growth	Currency impact	Constant currency growth [1]
United States	$ 141,028	$ 111,009	27.0 %	— %	27.0 %
International	87,500	84,568	3.5 %	6.1 %	(2.6)%
Net revenues	$ 228,528	$ 195,577	16.8 %	2.8 %	14.0 %

[1] Constant currency growth, a non-GAAP financial measure, measures the change in revenue between the current and prior year periods using a constant currency. See "*Management's Use of Non-GAAP Measures.*"

Our principal operations are in the U.S, Europe, Japan and other parts of Asia. Our products are marketed in approximately 90 countries around the world through a combination of our direct sales force, independent distributors and agents. Our revenue generated outside the U.S. was 38.3% of total net revenues during the three months ended July 3, 2021, as compared with 43.2% during the three months ended June 27, 2020. International sales are generally conducted in local currencies, primarily Japanese Yen, Euro, Chinese Yuan and Australian Dollars. Our results of operations are impacted by changes in foreign exchange rates, particularly in the value of the Yen, Euro and Australian Dollar relative to the U.S. Dollar. We have placed foreign currency hedges to mitigate our exposure to foreign currency fluctuations.

Please see the section entitled "Foreign Exchange" in this discussion for a more complete explanation of how foreign currency affects our business and our strategy for managing this exposure.

Net Revenues by Business Unit

	Three Months Ended				
(In thousands)	July 3, 2021	June 27, 2020	Reported growth	Currency impact	Constant currency growth [1]
Plasma	$ 71,844	$ 68,211	5.3 %	0.8 %	4.5 %
Blood Center	72,945	77,789	(6.2)%	3.4 %	(9.6)%
Hospital [2]	78,494	44,839	75.1 %	4.8 %	70.3 %
Service	5,245	4,738	10.7 %	7.0 %	3.7 %
Net revenues	$ 228,528	$ 195,577	16.8 %	2.8 %	14.0 %

[1] Constant currency growth, a non-GAAP financial measure, measures the change in revenue between the current and prior year periods using a constant currency. See "*Management's Use of Non-GAAP Measures.*"
[2] Hospital revenue includes Hemostasis Management revenue of $32.2 million and $24.0 million during the three months ended July 3, 2021 and June 27, 2020, respectively. Hemostasis Management revenue increased 34.3% in the first quarter of fiscal 2022, as compared with the same period of fiscal 2021. Without the effect of foreign exchange, Hemostasis Management revenue increased 31.1% in the first quarter of fiscal 2022, as compared with the same period of fiscal 2021.

Plasma

Plasma revenue increased 5.3% during the three months ended July 3, 2021 as compared with the same period of fiscal 2021. Without the effect of foreign exchange, Plasma revenue increased 4.5% during the three months ended July 3, 2021 as compared with the same periods of fiscal 2021. These increases were primarily driven by increase in volume of plasma disposables and increase in software revenue, partially offset by pricing adjustments and declines in plasma liquid solutions as a result of certain strategic exits within our liquid solutions business.

We continue experiencing the negative impact of COVID-19 on our business. While the timing of plasma collection recovery remains uncertain, we believe the impacts of the pandemic on plasma collection are temporary and anticipate volumes to recover by the end of fiscal 2022. We remain confident in the strength of the plasma end market growth as the long-term global demand for plasma-derived pharmaceuticals is expected to continue.

In early April 2021, CSL informed us of its intent not to renew its supply agreement for the use of PCS2 plasma collection system devices and the purchase of disposable plasmapheresis kits following the expiration of the current term of the Supply Agreement in June 2022. In fiscal 2021, revenue under this Supply Agreement was $88.6 million.

Blood Center

Blood Center revenue decreased 6.2% during the three months ended July 3, 2021 as compared with the same period of fiscal 2021. Without the effect of foreign exchange, Blood Center revenue decreased 9.6% during the three months ended July 3, 2021 as compared with the same period of fiscal 2021. These decreases were primarily driven by the divestiture of certain blood donor management software solution assets and continued declines in whole blood disposables.

We have not yet experienced the reversal of the large stocking orders made by distributors and blood collectors during the first quarter of fiscal 2021 in response to the COVID-19 pandemic, but we may experience a reversal in future periods.

Hospital

Hospital revenue increased 75.1% during the three months ended July 3, 2021 as compared with the same period of fiscal 2021. Without the effect of foreign exchange, Hospital revenue increased 70.3% during the three months ended July 3, 2021 as compared with the same period of fiscal 2021. These increases were primarily attributable to Vascular Closure revenue resulting from the acquisition of Cardiva and the impact of the COVID-19 pandemic on the prior year period. The increases were partially offset by the divestiture of certain blood bank and hospital software solution assets. We believe that the demand for our hospital products is inherently strong and that procedure volumes will continue to improve with a return to normal levels during fiscal 2022.

Gross Profit

	Three Months Ended		
(In thousands)	**July 3, 2021**	**June 27, 2020**	**% Increase/ (Decrease)**
Gross profit	$ 108,085	$ 90,030	20.1 %
% of net revenues	*47.3 %*	*46.0 %*	

Gross profit increased 20.1% during the three months ended July 3, 2021 as compared with the same period of fiscal 2021. Without the effect of foreign exchange, gross profit increased 12.5% during the three months ended July 3, 2021 as compared with the same period of fiscal 2021. These increases were primarily driven by the addition of Vascular Closure, favorable volumes and product mix, lower expenses related to the COVID-19 pandemic and productivity savings from the 2020 Program.

The increase was partially offset by pricing adjustments, the amortization of the fair value inventory step-up related to the acquisition of Cardiva, asset impairments and recent divestitures.

Operating Expenses

	Three Months Ended		
(In thousands)	July 3, 2021	June 27, 2020	% Increase/ (Decrease)
Research and development	$ 12,701	$ 7,750	*63.9 %*
% of net revenues	*5.6 %*	*4.0 %*	
Selling, general and administrative	$ 91,218	$ 62,302	*46.4 %*
% of net revenues	*39.9 %*	*31.9 %*	
Amortization of intangible assets	$ 12,379	$ 8,263	*49.8 %*
% of net revenues	*5.4 %*	*4.2 %*	
Gains on divestitures and sale of assets	$ (9,603)	$ —	*n/m*
% of net revenues	*(4.2)%*	*— %*	
Total operating expenses	$ 106,695	$ 78,315	*36.2 %*
% of net revenues	*46.7 %*	*40.0 %*	

Research and Development

Research and development expenses increased 63.9% during the three months ended July 3, 2021 as compared with the same period of fiscal 2021. Without the effect of foreign exchange, research and development expenses increased 61.2% during the three months ended July 3, 2021 as compared with the same period of fiscal 2021. These increases were primarily due to increased spend related to investments in our Hospital Business unit, primarily driven by Vascular Closure, as well as costs related to European Medical Device Regulation. These increases were partially offset by cost savings related to the 2020 Program and lower restructuring and restructuring related costs.

Selling, General and Administrative

Selling, general and administrative expenses increased 46.4% during the three months ended July 3, 2021 as compared with the same period of fiscal 2021. Without the effect of foreign exchange, selling, general, and administrative expenses increased 44.4% during the three months ended July 3, 2021 as compared with the same period of fiscal 2021. These increases were primarily due to increased spend related to the acquisition of Cardiva, including higher transaction and integration costs driven by an increase in the fair value of contingent consideration, and higher share-based and variable compensation expense, partially offset by asset impairments recognized in the prior year period and lower PCS2 related costs.

Amortization of Intangible Assets

We recognized amortization expense of $12.4 million and $8.3 million during the three months ended July 3, 2021 and June 27, 2020, respectively. The increase was primarily driven by an increase in intangible assets resulting from recent acquisitions.

Gains on Divestitures

We recognized gains on divestitures of $9.6 million during the three months ended July 3, 2021. Refer to Note 5, *Divestitures*, to the Unaudited Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q for additional information pertaining to these divestitures. There were no gains on divestitures during the three months ended June 27, 2020.

Interest and Other Expense, Net

Interest and other expenses increased 17.8% during the three months ended July 3, 2021 as compared with the same period of fiscal 2021. Without the effects of foreign exchange, interest and other expenses increased 16.5% during the three months ended July 3, 2021 as compared with the same period of fiscal 2021. The increase is primarily driven by the amortization of deferred financing fees associated with the 2026 Notes and realized losses on interest rate swaps, partially offset by a reduction in interest expense from borrowings under our $350.0 million term loan and $350.0 million revolving loan due to lower borrowings. The effective interest rate on total debt outstanding as of July 3, 2021 was 1.9%.

Income Taxes

We conduct business globally and report our results of operations in a number of foreign jurisdictions in addition to the United States. Our reported tax rate is impacted by the jurisdictional mix of earnings in any given period as the foreign jurisdictions in which we operate have tax rates that differ from the U.S. statutory tax rate.

For the three months ended July 3, 2021, we reported income tax expense of $1.4 million representing an effective tax rate of (48.1)%. The effective tax rate for the three months ended July 3, 2021 includes $0.8 million discrete tax expense relating to stock compensation shortfalls.

For the three months ended June 27, 2020, we reported an income tax benefit of $2.5 million representing an effective tax benefit of 31.9%. The effective tax rate for the three months ended June 27, 2020 includes discrete tax benefits recognized from excess stock compensation deductions of $4.0 million. The effective tax rate was also impacted by the jurisdictional mix of earnings.

Liquidity and Capital Resources

The following table contains certain key performance indicators we believe depict our liquidity and cash flow position:

(Dollars in thousands)	July 3, 2021	April 3, 2021
Cash & cash equivalents	$ 173,462	$ 192,305
Working capital	$ 456,029	$ 440,051
Current ratio	3.0	2.7
Net debt[(1)]	$ (610,908)	$ (515,303)
Days sales outstanding (DSO)	52	51
Inventory turnover	1.1	1.2

[(1)]Net debt position is the sum of cash and cash equivalents less total debt.

Our primary sources of liquidity are cash and cash equivalents, internally generated cash flow from operations, our revolving credit line and proceeds from employee stock option exercises. We believe these sources are sufficient to fund our cash requirements over at least the next twelve months. Our expected cash outlays relate primarily to acquisitions, investments, capital expenditures and the build out of our new manufacturing facility in Clinton, PA, cash payments under the loan agreement and restructuring initiatives.

In March 2021, we issued $500.0 million aggregate principal amount of 0% convertible senior notes due 2026, or the 2026 Notes. The 2026 Notes are governed by the terms of the Indenture between the Company and U.S. Bank National Association, as trustee. The total net proceeds from the sale of the 2026 Notes, after deducting the initial purchasers' discounts and debt issuance costs, were approximately $486.7 million. The 2026 Notes will mature on March 1, 2026, unless earlier converted, redeemed or repurchased. The 2026 Notes have an effective interest rate of 2.72% as of July 3, 2021.

As of July 3, 2021, we had $173.5 million in cash and cash equivalents, the majority of which is held in the U.S. or in countries from which it can be repatriated to the U.S. On June 15, 2018, we entered into a five-year credit agreement which provided for a $350.0 million term loan and a $350.0 million revolving loan (together with the term loan, as amended from time to time, the "Credit Facilities"). Interest on the term loan and revolving loan is established using LIBOR plus 1.13% - 1.75%, depending on our leverage ratio. Under the Credit Facilities, we are required to maintain certain leverage and interest coverage ratios specified in the credit agreement as well as other customary non-financial affirmative and negative covenants. The Company and its lenders agreed to increase the maximum consolidated leverage ratio the Company is required to maintain for the four consecutive quarters immediately following the closing of the Cardiva acquisition to 4.25:1.0, after which the maximum consolidated leverage ratio the Company is required to maintain will revert to 3.5:1.0.

As of July 3, 2021, $297.5 million was outstanding under the term loan with an effective interest rate of 1.9%. There were no borrowings outstanding on the revolving loan. We also had $25.5 million of uncommitted operating lines of credit to fund our global operations under which there were no outstanding borrowings as of July 3, 2021.

We have scheduled principal payments of $13.1 million required during the remainder of fiscal 2022. We were in compliance with the leverage and interest coverage ratios specified in the credit agreement as well as all other bank covenants as of July 3, 2021.

In August 2021, our Board of Directors approved a revised 2020 Program. We now estimate that we will incur aggregate charges between $95 million and $105 million in connection with the 2020 Program. These charges, the majority of which will result in cash outlays, including severance and other employee costs, will be incurred as the specific actions required to execute these initiatives are identified and approved and are expected to be substantially completed by the end of fiscal 2025. During the three months ended July 3, 2021, we incurred $9.9 million of restructuring and restructuring related costs under this program.

Cash Flows

	Three Months Ended	
(In thousands)	**July 3, 2021**	**June 27, 2020**
Net cash provided by (used in):		
Operating activities	$ (1,680)	$ 11,812
Investing activities	(15,851)	(23,896)
Financing activities	(1,634)	148,951
Effect of exchange rate changes on cash and cash equivalents[(1)]	322	1,547
Net change in cash and cash equivalents	$ (18,843)	$ 138,414

[(1)]The balance sheet is affected by spot exchange rates used to translate local currency amounts into U.S. Dollars. In accordance with U.S. GAAP, we have removed the effect of foreign currency throughout our cash flow statement, except for its effect on our cash and cash equivalents.

Net cash used in operating activities increased by $13.5 million during the three months ended July 3, 2021, as compared with the three months ended June 27, 2020. The increase in cash used operating activities was primarily the result of an increase in working capital due to lower collections of accounts receivable and higher inventory growth as well as a reduction in net income, as adjusted for depreciation, amortization and other non-cash charges compared with the prior year period.

Net cash used in investing activities decreased by $8.0 million during the three months ended July 3, 2021, as compared with the three months ended June 27, 2020. The decrease in cash used in investing activities was primarily the result of higher cash paid for acquisitions during the prior year period, partially offset by an increase in capital expenditures.

Net cash used in financing activities increased by $150.6 million during the three months ended July 3, 2021, as compared with the three months ended June 27, 2020, primarily due to a reduction in borrowings on our revolving credit facility, net of payments.

Concentration of Credit Risk

Concentrations of credit risk with respect to trade accounts receivable are generally limited due to our large number of customers and their diversity across many geographic areas. Certain markets and industries, however, can expose us to concentrations of credit risk. For example, in the Plasma business unit, sales are concentrated with several large customers. As a result, accounts receivable extended to any one of these biopharmaceutical customers can be significant at any point in time. In addition, a portion of our trade accounts receivable outside the U.S. include sales to government-owned or supported healthcare systems in several countries, which are subject to payment delays and local economic conditions. Payment is dependent upon the financial stability and creditworthiness of those countries' national economies.

We have not incurred significant losses on receivables. We continually evaluate all receivables for potential collection risks associated with the availability of government funding and reimbursement practices. If the financial condition of customers or the countries' healthcare systems deteriorate such that their ability to make payments is uncertain, allowances may be required in future periods.

Inflation

We do not believe that inflation had a significant impact on our results of operations for the periods presented. Historically, we believe we have been able to mitigate the effects of inflation by improving our manufacturing and purchasing efficiencies, by increasing employee productivity and by adjusting the selling prices of products. We continue to monitor inflation pressures generally and raw materials indices that may affect our procurement and production costs. Increases in the price of petroleum derivatives could result in corresponding increases in our costs to procure plastic raw materials.

Foreign Exchange

During the three months ended July 3, 2021, 38.3% of our sales were generated outside the U.S., generally in foreign currencies, yet our reporting currency is the U.S. Dollar. We also incur certain manufacturing, marketing and selling costs in international markets in local currency. Our primary foreign currency exposures relate to sales denominated in Euro, Japanese Yen, Chinese Yuan and Australian Dollars. We also have foreign currency exposure related to manufacturing and other operational costs denominated in Swiss Francs, Canadian Dollars, Mexican Pesos and Malaysian Ringgit. The Yen, Euro, Yuan and Australian Dollar sales exposure is partially mitigated by costs and expenses for foreign operations and sourcing products denominated in foreign currencies.

Since our foreign currency denominated Yen, Euro, Yuan and Australian Dollar sales exceed the foreign currency denominated costs, whenever the U.S. Dollar strengthens relative to the Yen, Euro, Yuan or Australian Dollar, there is an adverse effect on our results of operations and, conversely, whenever the U.S. Dollar weakens relative to the Yen, Euro, Yuan or Australian Dollar, there is a positive effect on our results of operations. For Swiss Francs, Canadian Dollars Mexican Pesos and Malaysian Ringgit our primary cash flows relate to product costs or costs and expenses of local operations. Whenever the U.S. Dollar strengthens relative to these foreign currencies, there is a positive effect on our results of operations. Conversely, whenever the U.S. Dollar weakens relative to these currencies, there is an adverse effect on our results of operations.

We have a program in place that is designed to mitigate our exposure to changes in foreign currency exchange rates. That program includes the use of derivative financial instruments to minimize, for a period of time, the unforeseen impact on our financial results from changes in foreign exchange rates. We utilize forward foreign currency contracts to hedge the anticipated cash flows from transactions denominated in foreign currencies, primarily Japanese Yen and Euro, and to a lesser extent Swiss Francs, Australian Dollars, Canadian Dollars and Mexican Pesos. This does not eliminate the volatility of foreign exchange rates, but because we generally enter into forward contracts one year out, rates are fixed for a one-year period, thereby facilitating financial planning and resource allocation. These contracts are designated as cash flow hedges. The final impact of currency fluctuations on the results of operations is dependent on the local currency amounts hedged and the actual local currency results.

Recent Accounting Pronouncements

In July 2021, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Codification (“ASC”) Update No. 2021-05. Leases (Topic 842). The new guidance requires a lessor to classify a lease with variable lease payments that do not depend on an index or rate as an operating lease at lease commencement if the lease would have been classified as a sales-type lease or a direct financing lease in accordance with the classification criteria ASC 842 and the lessor would have otherwise recognized a day-one loss. ASC Update No. 2021-05 is effective for annual periods beginning after December 15, 2021, and is applicable to us in fiscal 2023. We are in the process of determining the effect that the adoption will have on our financial position and results of operations.

Cautionary Statement Regarding Forward-Looking Information

Certain statements that we make from time to time, including statements contained in this Annual Report on Form 10-K and incorporated by reference into this report, constitute “forward looking-statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements do not relate strictly to historical or current facts and reflect management’s assumptions, views, plans, objectives and projections about the future. Forward-looking statements may be identified by the use of words such as “may,” “will,” “should,” “could,” “would,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “projects,” “predicts,” “foresees,” “potential” and other words of similar meaning in conjunction with, among other things: discussions of future operations; expected operating results and financial performance; impacts of the COVID-19 pandemic; the Company’s strategy for growth; product development, commercialization and anticipated performance and benefits; regulatory approvals; impacts of acquisitions or dispositions; market position and expenditures.

Because forward-looking statements are based on current beliefs, expectations and assumptions regarding future events, they are subject to uncertainties, risks and changes that are difficult to predict and many of which are outside of the Company's control. Investors should realize that if underlying assumptions prove inaccurate, or known or unknown risks or uncertainties materialize, the Company’s actual results and financial condition could vary materially from expectations and projections expressed or implied in its forward-looking statements. Investors are therefore cautioned not to rely on these forward-looking statements.

The following are some important factors that could cause our actual results to differ from our expectations in any forward-looking statements. For further discussion of these and other factors, see Item 1A. Risk Factors in this report.

- The effect of the ongoing COVID-19 pandemic, or outbreaks of communicable diseases, on our business, financial conditions and results of operations, including the time it will take for vaccines to be broadly distributed and accepted in the U.S. and the rest of the world, and the effectiveness of such vaccines in slowing or stopping the spread of COVID-19 and mitigating the economic effects of the pandemic;

- Failure to achieve our long-term strategic and financial-improvement goals;

- Demand for and market acceptance risks for new and existing products, including material reductions in purchasing from or loss of a significant customer;

- Product quality or safety concerns, leading to product recalls, withdrawals, regulatory action by the FDA (or similar non-U.S. regulatory agencies), reputational damage, declining sales or litigation;

- Security breaches of our information technology systems or our products, which could impair our ability to conduct business or compromise sensitive information of the Company or its customers, suppliers and other business partners, or of customers' patients;

- Pricing pressures resulting from trends toward healthcare cost containment, including the continued consolidation among healthcare providers and other market participants;

- The continuity, availability and pricing of plastic and other raw materials, finished goods and components used in the manufacturing of our products (including those purchased from sole-source suppliers) and the related continuity of our manufacturing, sterilization, supply and distribution;

- Our ability to develop, manufacture and market new products and technologies successfully and in a timely manner and the ability of our competitors and other third parties to develop products or technologies that render our products or technologies noncompetitive or obsolete;

- Our ability to obtain the anticipated benefits of restructuring programs that we have or may undertake, including the Operational Excellence Program;

- The potential that the expected strategic benefits and opportunities from our acquisition of Cardiva and any other planned or completed acquisition or divestiture by the Company may not be realized or may take longer to realize than expected;

- The impact of enhanced requirements to obtain regulatory approval in the U.S. and around the world and the associated timing and cost of product approval;

- Our ability to comply with established and developing U.S. and foreign legal and regulatory requirements, including FCPA, MDR and similar laws in other jurisdictions, as well as U.S. and foreign export and import restrictions and tariffs;

- Our ability to meet our debt obligations and raise additional capital when desired on terms reasonably acceptable to us;

- The potential impact of our convertible senior notes and related capped call transactions;

- Our ability to execute and realize anticipated benefits from our investments in emerging economies;

- The potential effect of foreign currency fluctuations and interest rate fluctuations on our net sales, expenses, and resulting margins;

- The impact of changes in U.S. and international tax laws;

- Our ability to protect intellectual property and the outcome of patent litigation;

- Costs and risks associated with product liability and other litigation claims;

- Our ability to retain and attract key personnel; and

- Market conditions impacting our stock price and/or share repurchase programs we may enter into from time to time, and the possibility that such share repurchase programs may be delayed, suspended or discontinued.

Investors should understand that it is not possible to predict or identify all such factors and should not consider the risks described above and in Item 1A. Risk Factors to be a complete statement of all potential risks and uncertainties. The Company does not undertake to publicly update any forward-looking statement that may be made from time to time, whether as a result of new information or future events or developments.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our exposure relative to market risk is due to foreign exchange risk and interest rate risk.

Foreign Exchange Risk

See the section above entitled Foreign Exchange for a discussion of how foreign currency affects our business. It is our policy to minimize, for a period of time, the unforeseen impact on our financial results of fluctuations in foreign exchange rates by using derivative financial instruments known as forward contracts to hedge anticipated cash flows from forecasted foreign currency denominated sales and costs. We do not use the financial instruments for speculative or trading activities.

We estimate the change in the fair value of all forward contracts assuming both a 10% strengthening and weakening of the U.S. Dollar relative to all other major currencies. In the event of a 10% strengthening of the U.S. Dollar, the change in fair value of all forward contracts would result in a $6.9 million increase in the fair value of the forward contracts; whereas a 10% weakening of the U.S. Dollar would result in a $8.0 million decrease of the fair value of the forward contracts.

Interest Rate Risk

Our exposure to changes in interest rates is associated with borrowings under our Credit Facilities, all of which is variable rate debt. Total outstanding debt under our Credit Facilities as of July 3, 2021 was $297.5 million with an interest rate of 1.9% based on prevailing LIBOR rates. An increase of 100 basis points in LIBOR rates would result in additional annual interest expense of $0.7 million. On August 21, 2018, we entered into two interest rate swap agreements to effectively convert $241.9 million of borrowings under our Credit Facilities from a variable rate to a fixed rate. These interest rate swaps are intended to mitigate the exposure to fluctuations in interest rates and qualify for hedge accounting treatment as cash flow hedges.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We conducted an evaluation, as of July 3, 2021, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer (our principal executive officer and principal financial officer, respectively) regarding the effectiveness of the design and operation of our disclosure controls and procedures as defined in Rule 13a-15 of the Exchange Act. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective as of July 3, 2021.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the three months ended July 3, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

Information with respect to this Item may be found in Note 13, *Commitments and Contingencies* to the Unaudited Condensed Consolidated Financial Statements in this Quarterly Report on Form 10-Q, which is incorporated herein by reference.

Item 1A. Risk Factors

There are no material changes from the Risk Factors previously disclosed in our Annual Report on Form 10-K for the fiscal year ended April 3, 2021.

Item 2. Issuer Purchases of Equity Securities

In May 2019, our Board of Directors authorized the repurchase of up to $500 million of Haemonetics common shares over the next two year period ending May 2021. During the three months ended July 3, 2021, we did not make any additional repurchases under this program which expired in May 2021.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

3.1	Restated Articles of Organization of Haemonetics Corporation, reflecting Articles of Amendment dated August 23, 1993, August 21, 2006, July 26, 2018 and July 25, 2019 (filed as Exhibit 3.1 to the Company's Form 8-K dated July 29, 2019 and incorporated herein by reference).
3.2	By-Laws of the Company, as amended through June 29, 2020 (filed as Exhibit 3.1 to the Company's Form 8-K dated June 30, 2020 and incorporated herein by reference).
31.1	Certification pursuant to Section 302 of Sarbanes-Oxley Act of 2002, of Christopher A. Simon, President and Chief Executive Officer of the Company.
31.2	Certification pursuant to Section 302 of Sarbanes-Oxley of 2002, of William Burke, Executive Vice President, Chief Financial Officer of the Company.
32.1	Certification Pursuant to 18 United States Code Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of Christopher A. Simon, President and Chief Executive Officer of the Company.
32.2	Certification Pursuant to 18 United States Code Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, of William Burke, Executive Vice President, Chief Financial Officer of the Company.
101*	The following materials from Haemonetics Corporation on Form 10-Q for the quarter ended July 3, 2021, formatted in inline Extensible Business Reporting Language (XBRL) includes: (i) Condensed Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income, (ii) Condensed Consolidated Balance Sheets, (iii) Condensed Consolidated Statements of Cash Flows, and (iv) Notes to Condensed Consolidated Financial Statements.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document and contained in Exhibit 101).

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* In accordance with Rule 406T of Regulation S-T, the XBRL-related information in Exhibit 101 to this Form 10-Q is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act, is deemed not filed for the purposes of section 18 of the Exchange Act, and otherwise is not subject to liability under these sections.

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.

HAEMONETICS CORPORATION

August 11, 2021 By: /s/ Christopher A. Simon

Christopher A. Simon,
President and Chief Executive Officer
(Principal Executive Officer)

August 11, 2021 By: /s/ William Burke

William Burke, Executive Vice President, Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 31.1

CERTIFICATION

I, Christopher A. Simon, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Haemonetics 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 officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 11, 2021

/s/ Christopher A. Simon

Christopher A. Simon, President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

I, William Burke, certify that:

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

August 11, 2021

/s/ William Burke

William Burke, Executive Vice President, Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

Certification Pursuant To
18 USC. Section 1350,
As Adopted Pursuant To
Section 906 of the Sarbanes/Oxley Act of 2002

In connection with the Quarterly Report of Haemonetics Corporation (the "Company") on Form 10-Q for the period ended July 3, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christopher A. Simon, President and Chief Executive Officer of the Company, certify, pursuant to Section 1350 of Chapter 63 of Title 18, United States Code, that this Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 11, 2021

/s/ Christopher A. Simon
Christopher A. Simon,
President and Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Haemonetics and will be retained by Haemonetics and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

Certification Pursuant To
18 USC. Section 1350,
As Adopted Pursuant To
Section 906 of the Sarbanes/Oxley Act of 2002

In connection with the Quarterly Report of Haemonetics Corporation (the "Company") on Form 10-Q for the period ended July 3, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, William Burke, Executive Vice President, Chief Financial Officer of the Company, certify, pursuant to Section 1350 of Chapter 63 of Title 18, United States Code, that this Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 11, 2021

/s/ William Burke
William Burke,
Executive Vice President, Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Haemonetics and will be retained by Haemonetics and furnished to the Securities and Exchange Commission or its staff upon request.