

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **November 4, 2021**

Safeguard Scientifics, Inc.

(Exact Name of registrant as Specified in Charter)

Pennsylvania
(State or other Jurisdiction of Incorporation)

1-5620
(Commission File Number)

23-1609753
(IRS Employer ID No.)

150 N. Radnor Chester Rd., STE F-200
Radnor, PA
(Address of Principal Executive Offices)

19087
(Zip Code)

Registrant's telephone number, including area code: **610-293-0600**

Not applicable

(Former Name or Former Address if Changed Since Last Report)

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

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock (\$.10 par value)	SFE	New York Stock Exchange

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

Emerging growth company

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

Item 2.02. Results of Operations and Financial Condition.

On November 4, 2021, Safeguard Scientifics, Inc. (the “Company”) issued a press release setting forth the Company’s financial information for the three and nine months ended September 30, 2021. A copy of the Company’s press release is attached hereto as Exhibit 99.1 and is hereby incorporated by reference.

This information shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (“Exchange Act”), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

ITEM 9.01. Financial Statements and Exhibits.

(d) Exhibits.

99.1 [Press Release of Safeguard Scientifics, Inc. dated November 4, 2021.](#)

104 Cover Page Interactive Data File (formatted as Inline XBRL).

SIGNATURES

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

Safeguard Scientifics, Inc.

Date: November 4, 2021

By: /s/ G. Matthew Barnard

Name: G. Matthew Barnard

Title: General Counsel



SAFEGUARD SCIENTIFICS ANNOUNCES THIRD QUARTER 2021 FINANCIAL RESULTS

Successful Completion of \$39mm Self-tender Offer

Conference call and webcast on November 4, 2021 at 5 p.m. ET

Radnor, PA, November 4, 2021 — Safeguard Scientifics, Inc. (NYSE:SFE) (“Safeguard” or the “Company”) today announced financial results for the three and nine months ended September 30, 2021.

HIGHLIGHTS

- **Capital Return**
 - On October 7, 2021, Safeguard completed a modified Dutch auction self-tender that resulted in the repurchase of 4.3 million shares of its common stock at a cost of \$9.00 per share or a total of \$38.7 million.
- **Exits & Deployments**
 - Flashtalking was acquired by Mediaocean resulting in \$44.8 million of cash proceeds upon the closing. As a result of this exit, Safeguard reported a gain of \$32.3 million.
 - Safeguard funded \$1.7 million to Aktana as part of a larger financing.
- **Safeguard Company Performance**
 - During the third quarter, Safeguard’s 1.3 million shares of Bright Health common stock experienced an unrealized decline in their fair value of \$11.9 million. Based on the closing price as of September 30, 2021, the fair value of Safeguard’s Bright Health common stock was \$10.8 million.
 - Trice Medical raised growth equity capital from a strategic investor, Bioventus, and all outstanding stockholder convertible loans and interest were converted into equity. As a result of this transaction, Safeguard’s primary ownership interest in Trice was reduced to 12.6% and a \$2.0 million dilution gain was recorded.
 - The aggregate trailing twelve-month revenues ending June 30, 2021 for Safeguard’s ten companies, which excludes Flashtalking, Bright Health and Other Ownership Interests, was \$245 million, down 11% from the comparable prior period.
- **Financial Results**
 - Cash, cash equivalents and restricted cash totaled \$64.2 million at September 30, 2021.
 - The carrying value of the Company’s ownership interests totaled \$36.3 million at September 30, 2021, which includes the Bright Health common stock noted above. The total cost of the ownership interests was \$155.8 million.
 - Net income for the three months ended September 30, 2021 was \$18.3 million, or \$0.88 per share, as compared with a net loss of \$4.3 million, or \$0.21 per share, for the same period in 2020.
- **Operating Costs**
 - Safeguard continued to reduce its operating costs in 2021. General and administrative expenses totaled \$1.6 million for the third quarter of 2021 as compared to \$2.3 million for the comparable period of 2020.
 - Safeguard also continued to lower its corporate expenses, which totaled \$0.9 million for the third quarter of 2021, as compared to \$1.3 million for the comparable period of 2020, a 32% decline.
- **Outlook**
 - Year to date, Safeguard has deployed \$2.7 million to our companies. We do not expect material deployments for the remainder of 2021.

“The completion of our self-tender was a milestone event for Safeguard and represented a substantial return of capital to our shareholders,” said Eric C. Salzman, Chief Executive Officer. “We remain optimistic about our remaining portfolio of companies and continue to work with our management teams to create value and drive additional monetization opportunities.”

¹ Corporate expenses are general and administrative expenses excluding depreciation, severance, stock-based compensation and other non-recurring items. See full reconciliation in the financial section of this statement.



OWNERSHIP INTERESTS AT SEPTEMBER 30, 2021

Companies	Category	Acquisition Year	Primary Ownership%	Fully Diluted Ownership%**	Carrying Value (in millions)	Cost (in millions)
Initial Revenue Stage: Up to \$1 million						
None						
Revenue of \$1 million to \$5 million						
Moxe Health Corporation	Healthcare	2016	27.6%	25.8%	\$ 4.3	\$ 7.5
Revenue of \$5 million to \$10 million						
Lumesis, Inc.	Financial Services	2012	43.2%	43.4%	1.4	5.6
Revenue of \$10 million to \$20 million						
Clutch Holdings, Inc.+	Digital Media	2013	41.7%	33.0%	4.4	16.9
InfoBionic, Inc.	Healthcare	2014	25.2%	22.1%	-	22.0
meQuilibrium	Healthcare	2015	31.9%	23.1%	2.5	14.0
Syapse, Inc.++	Healthcare	2014	11.1%	8.9%	5.6	25.0
Trice Medical, Inc.+	Healthcare	2014	12.6%	10.7%	2.5	11.8
Revenue of \$20 million to \$50 million						
Aktana, Inc.	Healthcare	2016	15.0%	11.6%	0.8	15.9
Prognos Health, Inc.	Healthcare	2011	28.5%	24.5%	3.1	12.6
Greater than \$50 million in revenue						
MediaMath, Inc.	Digital Media	2009	13.2%	10.1%	-	15.5
Other Ownership Interests						
Bright Health Group	Healthcare	2021			10.8	-
All others	Various				0.9	9.0
TOTAL:					<u>\$ 36.3</u>	<u>\$ 155.8</u>

+ Company progressed into higher revenue stage this quarter.

++ Company dropped into a lower revenue stage this quarter.

** Based on information provided by each respective company. Assumes the conversion or exercise of all currently outstanding securities including the issuance of all shares available under authorized employee equity programs. Does not reflect liquidation preferences, priority payments, proceeds from option and/or warrant exercises or other company-specific transaction-related obligations in a liquidation or exit transaction.



CONFERENCE CALL AND WEBCAST DETAILS

Please call 10-15 minutes prior to the call to register:

Date: November 4, 2021

Time: 5 p.m. ET

Webcast: <https://events.q4inc.com/attendee/688077299>

Live Number: 844-200-6205

Access Code: 552674

Speakers: Chief Executive Officer, Eric C. Salzman; and Senior Vice President and Chief Financial Officer, Mark A. Herndon

Format: Discussion of the quarter's financial results followed by Q&A

The replay will be available by telephone (866-813-9403; access code 457186) through November 11, 2021. The webcast replay will be available for 90 days at Safeguard.com's investor relations site under "Past events". For more information please contact IR@safeguard.com.

About Safeguard Scientifics

Historically, Safeguard Scientifics has provided capital and relevant expertise to fuel the growth of technology-driven businesses. Safeguard has a distinguished track record of fostering innovation and building market leaders that spans more than six decades. Safeguard is currently pursuing a focused strategy to value-maximize and monetize its ownership interests over a multi-year time frame to drive shareholder value. For more information, please visit www.safeguard.com.

Forward-Looking Statements

Except for the historical information and discussions contained herein, statements contained in this release may constitute "forward-looking statements." Our forward-looking statements are subject to risks and uncertainties. Forward-looking statements include, but are not limited to, statements regarding Safeguard's ability to maximize the value of monetization opportunities of its ownership interests and drive total shareholder returns. Safeguard's initiatives taken or contemplated to enhance and unlock value for all of its shareholders, Safeguard's efforts to execute on and implement its strategy to streamline its organizational structure, reduce its operating costs, pursue monetization opportunities for ownership interests and maximize the return of value to its shareholders, Safeguard's ability to create, unlock, enhance and maximize shareholder value, the effect of Safeguard's management succession plan on driving increased organizational effectiveness and efficiencies, the ability of the management team to execute Safeguard's strategy, the availability of, the timing of, and the proceeds that may ultimately be derived from the monetization of ownership interests, Safeguard's projections regarding the reduction in its ongoing operating expenses, Safeguard's projections regarding annualized operating expenses and expected severance expenses, monetization opportunities for ownership interests, and the amount of net proceeds from the monetization of ownership interests that will enable the return of value to Safeguard shareholders after satisfying working capital needs and the timing of such return of value. Such forward-looking statements are not guarantees of future operational or financial performance and are based on current expectations that involve a number of uncertainties, risks and assumptions that are difficult to predict. Therefore, actual outcomes and/or results may differ materially from those expressed or implied by such forward-looking statements. The risks and uncertainties that could cause actual results to differ materially include, among others, our ability to make good decisions about the monetization of our ownership interests for maximum value or at all and the return of value to our shareholders, our ability to successfully execute on our strategy to streamline our organizational structure and align our cost structure to increase shareholder value, whether our strategy will better position us to focus our resources on the highest-return opportunities and deliver enhanced shareholder value, the ongoing support of our existing ownership interests, the fact that our companies may vary from period to period, challenges to achieving liquidity from our ownership interests, fluctuations in the market prices of our publicly traded holdings, if any, competition, our inability to obtain maximum value for our ownership interests, our ability to attract and retain qualified employees, market valuations in sectors in which our ownership interests operate, our inability to control our ownership interests, our need to manage our assets to avoid registration under the Investment Company Act of 1940, risks, disruption, costs and uncertainty caused by or related to the actions of activist shareholders, including that if individuals are elected to our Board with a specific agenda, it may adversely affect our ability to effectively implement our business strategy and create value for our shareholders and perceived uncertainties as to our future direction as a result of potential changes to the composition of our Board may lead to the perception of a change in the direction of our business, instability or a lack of continuity that may adversely affect our business, and risks associated with our ownership interests, including the fact that most of our ownership interests have a limited operating history and a history of operating losses, face intense competition and may never be profitable, the effect of economic conditions in the business sectors in which our companies operate, and other uncertainties described in our filings with the Securities and Exchange Commission. Many of these factors are beyond our ability to predict or control. As a result of these and other factors, the Company's past operational and financial performance should not be relied on as an indication of future performance. Further information on the above risk factors and other potential factors that could affect our future business, operating results and financial condition is included in our Annual Report on Form 10-K for the year ended December 31, 2020 and other periodic filings with the Securities and Exchange Commission, including risks under the heading "Risk Factors." The Company does not assume any obligation to update any forward-looking statements or other information contained in this press release.

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SAFEGUARD CONTACT:

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www.safeguard.com

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Safeguard Scientifics, Inc.
Condensed Consolidated Balance Sheets
(in thousands)

	September 30, 2021	December 31, 2020
Assets		
Cash, cash equivalents and restricted cash	\$ 64,236	\$ 15,601
Ownership interests	10,792	—
Other current assets	1,343	462
Total current assets	<u>76,371</u>	<u>16,063</u>
Ownership interests in and advances	25,492	50,398
Other assets	1,855	2,574
Total Assets	<u>\$ 103,718</u>	<u>\$ 69,035</u>
Liabilities and Equity		
Other current liabilities	\$ 3,899	\$ 3,470
Total current liabilities	3,899	3,470
Lease liability - non-current	1,776	2,053
Other long-term liabilities	50	637
Total equity	97,993	62,875
Total Liabilities and Equity	<u>\$ 103,718</u>	<u>\$ 69,035</u>



Safeguard Scientifics, Inc.
Condensed Consolidated Statements of Operations
(in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Operating expenses	\$ 1,564	\$ 2,275	\$ 6,018	\$ 7,835
Operating loss	(1,564)	(2,275)	(6,018)	(7,835)
Other income (loss), net	20,588	(820)	28,027	(7,045)
Interest, net	70	52	197	209
Equity income (loss), net	(761)	(1,300)	13,432	(15,591)
Net income (loss) before income taxes	18,333	(4,343)	35,638	(30,262)
Income tax benefit (expense)	—	—	—	—
Net income (loss)	\$ 18,333	\$ (4,343)	\$ 35,638	\$ (30,262)
Net income (loss) per share:				
Basic	\$ 0.88	\$ (0.21)	\$ 1.71	\$ (1.46)
Diluted	\$ 0.88	\$ (0.21)	\$ 1.71	\$ (1.46)
Weighted average shares used in computing income (loss) per share:				
Basic	20,786	20,786	20,847	20,731
Diluted	20,786	20,786	20,847	20,731



Safeguard Scientifics, Inc.
Financial Data
(in thousands)

Additional Financial Information

Non-GAAP Measures

In discussing financial results and guidance, the Company refers to the measure "corporate expenses" which is not in accordance with Generally Accepted Accounting Principles (GAAP). We use this non-GAAP financial measure internally to make operating and strategic decisions, including evaluating our overall performance and as a factor in determining compensation for certain employees. We have defined corporate expenses as general and administrative costs excluding stock based compensation, severance costs, and non-recurring items and other. Non-recurring items and other includes accruals related to the Company's LTIP plan that will not be paid until reaching a specified threshold within that plan. We believe presenting this non-GAAP financial measure provides additional information to facilitate comparison of our historical operating costs and their trends, and provides additional transparency on how we evaluate our cost structure. We also believe presenting this measure allows investors to view our performance using the same measure that we use in evaluating our performance and trends.

Corporate expenses reconciliation:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Corporate expenses	\$ 885	\$ 1,302	\$ 3,040	\$ 3,997
Stock based compensation	484	452	1,469	979
Severance costs	—	108	774	1,873
Non-recurring items and other	195	413	735	986
General and administrative expenses	\$ 1,564	\$ 2,275	\$ 6,018	\$ 7,835