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Neogen Corp. (NEOG)

Q1 2025 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, ladies and gentlemen, and welcome to the Neogen Corporation First Quarter 2025 Earnings Call. At this time, all lines are in listen-only mode. Following the presentation, we will conduct a question-and-answer session. [Operator Instructions] This call is being recorded on Tuesday, October 10, 2024. I would now like to turn the conference over to Bill Waelke, VP, Investor Relations and Treasury. Please go ahead.

Bill Waelke

Vice President-Investor Relations & Treasury, Neogen Corp.

Thank you for joining us this morning for the discussion of the first quarter of our 2025 fiscal year. I'll briefly cover the non-GAAP and forward-looking language before passing the call over to our CEO, John Adent, who will be followed by our CFO, Dave Naemura.

Before the market opened today, we published our first quarter results, as well as the presentation with both documents available in the Investor Relations section of our website. On our call this morning, we will refer to certain non-GAAP financial measures that we believe are useful in evaluating our performance. Reconciliations of historical non-GAAP financial measures are included in our earnings release and the presentation. Slide 2 of which provide a reminder that our remarks will include forward-looking statements within the meaning of the Private Securities Litigation Reform Act.

These forward-looking statements are subject to risks that could cause actual results to be materially different from those expressed in or implied by such forward-looking statements. These risks include, among others, matters that we have described in our most recent annual report on Form 10-K and in other filings we make with the SEC. We disclaim any obligation to update these forward-looking statements.

With that, I'll turn things over to John.

John E. Adent
President, Chief Executive Officer & Director, Neogen Corp.

Thanks, Bill. Good morning, everyone, and welcome to the earnings call for the first quarter of our 2025 fiscal year. At the beginning of September, we crossed the two-year anniversary of the closing of the 3M Food Safety transaction, which solidified our position as the largest player with the broadest product portfolio and geographic reach in an attractive and important end market. That transaction strengthened our company in the food safety end market, where we generate approximately two-thirds of our revenue from products and solutions that help protect the food supply.

We provide an important and relatively inexpensive line of defense in the rapid detection of contaminants in the production and distribution of food and beverages. We believe the food safety market has a number of secular tailwinds. One of these tailwinds involves the expected increase of various food testing regulatory requirements around the world. We saw another example of this recently in the US with the USDA's declaration of salmonella as a known adulterant in raw, breaded and stuffed chicken products joining E. coli and Listeria as the other known pathogen adulterants in different food types.

The USDA and other international regulatory bodies continue to focus on reducing severe illness and fatalities stemming from food borne pathogens. And we anticipate the emergence of additional regulatory requirements in the future.

Other key tailwinds in the food safety market include the increasing expectation for consumers to know what is in and not in their food, as well as the high cost associated with contaminated products reaching the shelves. Beyond the obvious tragic consequences that can result from consuming contaminated food or beverages, the cost to companies of the associated product recalls, litigation, brand damage and even facility closures can be tremendous, as evidenced recently by several unfortunate high-profile outbreaks.

These occurrences reinforce the value proposition of Neogen solutions and industry expertise, which have never been more relevant than they are today. Our commercial teams have been engaging in an increasing number of these conversations with customers, offering not only the breadth of our products and services, but also the long-standing knowledge and expertise we can provide in structuring robust food safety testing programs.

We expect these factors to continue to support growth in the food safety end market, and a continuation of the progress we've made in expanding and in some cases, winning back market share. In Animal Safety, we continue to manage through end market conditions we believe are at or near cyclical lows, particularly in the United States where most of our business in this segment is focused.

Our Animal Safety sales are influenced by net farm income, which after peaking in 2022 in the US, declined in 2023 and is declining again in 2024.

The majority of our business in this segment goes through large distributors and despite weaker conditions, sales of our products out of the distribution channel have continued to grow. However, our sales to our distributor partners are subject to movements in the timing of orders and inventory levels, as well as any other factors or initiatives specific to individual distributors.

In the first quarter, some of our key distributors reduced inventory levels due to order timing in the fourth quarter, while others did so as a result of some specific challenges they're experiencing in their particular business. We are not seeing the indications of a destocking trend and believe the sales out of our products support an improvement in our Animal Safety growth rates in the coming quarters. And of course, we'll continue to monitor the channel dynamics closely.

In our Genomics business globally, first quarter revenue was down on a year-over-year basis, but improved from the decline we saw in the fourth quarter. We began to round trip the impact of the strategic shift towards larger production animals in the quarter, and did see growth in our large animal business. This growth was offset by weakness in the companion animal side of the business, driven by lower number of new puppies and increased inflationary pressure on customers.

We are continuing to focus on driving growth in the direct to producer beef and dairy segments, while also targeting actions to right size the cost base to better align with the current level of revenue.

With respect to our integration progress, the ERP-related challenges that we've been experiencing in our primary distribution center have been resolved and we no longer are constrained by shipping. That being said, we do see opportunity to drive improvements in the efficiency of that operation and our teams are focused on executing a number of initiatives there.

On the production side, we've completed the relocation of the former 3M sample collection product line. While we've been in the process of ramping up our production, we haven't been able to fully keep up with end user demand, which weighed on our sample collection sales in the quarter.

We currently have all lines operational with the line of sight to reach normal production levels in the third quarter. Our new Petrifilm facility is progressing well and the first of our two major shipments of equipment is expected to land in Lansing in January. It will take several months to uncrate everything and get it moved into the new building, but the receipt of the equipment is clearly an important milestone in that process.

With the recent shipping challenges behind us, regaining market share is a top priority. The response to our initial efforts in this area have been encouraging. We are a known and trusted partner in the industry with leading products that are globally validated, and most customers are primarily focused on a demonstrated period of reliable supply. Because of this, share recapture will not happen overnight. But the progress we've made so far is in line with our expectations. Our commercial teams are executing detailed tactical plans that are driving constructive dialogue with previously impacted customers, and we're looking forward to continuing to demonstrate our capabilities as a reliable, knowledgeable source of leading food safety testing solutions.

I'll now turn the call over to Dave for some more insights into our results for the quarter.

David H. Naemura

Chief Financial Officer, Neogen Corp.

Thank you, John, and welcome to everyone on the call today. Jumping into the results, our first quarter revenues were $217 million. Core revenue, which excludes the impact of foreign currency acquisitions and discontinued product lines, declined 1% for the quarter, while foreign currency was a headwind of 390 basis points compared to the prior year. The first quarter is historically our seasonally lowest of the year, with this year's first quarter seeing the impact of lost sales related to our shipping challenges in the second half of fiscal 2024.

At the segment level, revenues in our Food Safety segment were $159 million in the quarter, a decrease of 4% compared to the prior year, including core growth of 1%. The core growth was led by the indicator testing, culture media and other product category, which benefited from strong growth in our Petrifilm product line as well as in food quality, nutrition analysis and culture media. This growth was partially offset by a decline in sample collection, as we fell behind demand during the process of ramping up production in our own facility.

The bacterial and general sanitation product categories saw modest growth in pathogens, which was offset by declines in general sanitation and microbiology. Within the natural toxins and allergens category, modest growth in allergens was offset by a decline in natural toxins.

Quarterly revenues in the Animal Safety segment were $58 million, which includes a core revenue decline of 8% compared to the prior year quarter. Within biosecurity, strong growth in rodent control products was offset by declines in insect control and cleaners and disinfectants. The vet instruments in disposables product line had a slight core revenue decline, while the animal care and other product category had a larger core revenue decline, driven in part by supplier-related product availability issues.

Worldwide genomics revenue was down mid-single digits on a core basis. Solid growth in beef markets was offset by the shift away from small production animals in the US, the impact of which we have mostly anniversaried as of the end of Q1.

From a regional perspective, core revenue growth in the first quarter was mixed. Growth was led by Latin America, which saw double-digit growth, with a strong performance across most key product categories. The growth was driven by continued build-out of inventory across the distribution channel as well as some new business wins.

Our business in Europe was roughly flat on a core basis, with growth in Petrifilm, cleaners and disinfectants, culture media and vet instruments offset by declines in sample collection, general sanitation and genomics.

Asia-Pacific core revenue was down slightly on a year-over-year basis, with growth in Petrifilm, cleaners and disinfectants, and food quality, offset by declines in pathogens and general sanitation.

Our US and Canada region saw the largest carryover impact from the shipment delays last year, with core revenue down in the mid-single digit range. Despite this impact, Petrifilm and culture media had solid growth, which was offset by declines in most other food safety product categories.

In the Animal Safety segment, strong growth in rodent control products was offset by declines in the other major product categories.

Gross margin in the first quarter was 48.4%, representing a decrease of 260 basis points from 51% in the same quarter a year ago, and an improvement sequentially due mostly to some re-class and one-time items that impacted Q4. Adjusting for transaction and integration-related costs, as well as discontinued products, the year-over-year gross margin decline in Q1 was 90 basis points. The decline was driven primarily by lower volume and continued higher distribution costs. Adjusted EBITDA was $44 million in the first quarter, representing an adjusted EBITDA margin of 20.1%, a year-over-year decline of 280 basis points. The decline in adjusted EBITDA margin was driven by lower revenue in the quarter and the decline in gross margin with additional negative impact from having the full cost to exit the various transition agreements, including some impact from higher shipping, a portion of which are reflected in operating expenses.

First quarter adjusted net income and adjusted earnings per share were $14 million and $0.07, respectively, compared to $24 million and $0.11 in the prior year quarter. The declines in the current year Q1 were driven primarily by the lower adjusted EBITDA.

We ended the quarter with gross debt of $900 million, 67% of which remains at a fixed rate and a total cash position of $120 million. Compared to the fourth quarter, the lower first quarter cash position was driven by higher capital expenditures, a semiannual interest payment on our senior notes and the negative impact from working capital. The working capital increase was largest in payables, which is mostly timing driven and inventory where we built stock of higher running products. Q1 represented the high point in the year for CapEx spend. We believe we are still on track with the free cash flow guidance we provided in July, but are off to a slower start than we had anticipated.

Moving to our outlook for the 2025 fiscal year, we are maintaining our previously issued guidance. First quarter revenue developed in line with the expectations we communicated regarding lower than normal first half seasonality. We are encouraged by the performance we saw in September, which was an improvement over the first month of Q1. We expect our first quarter adjusted EBITDA margin to be the lowest of the year and expect margin improvement in the balance of the year to be driven by higher revenue volumes, gross margin improvement, including actions in our shipping and distribution operations and operating expense efficiency.

As I noted on capital expenditures, we anticipate our first quarter spending to be the highest level of the year, followed by the second quarter. We also continue to believe higher adjusted EBITDA, combined with lower CapEx and the 3M working capital load in not repeating will result in free cash flow for this year being positive.

I'll now hand the call to John for some closing thoughts.

John E. Adent

President, Chief Executive Officer & Director, Neogen Corp.

Thanks, Dave. In a separate announcement this morning, we shared that Doug Jones, our Chief Operating Officer, has communicated his attempt to retire in the early part of calendar 2025. Doug has had a long career across a number of industries and his experience has been a great value to Neogen, particularly his broad commercial expertise and contributions to the integration of the 3M transaction.

In preparation for Doug's coming retirement, we have begun the search for a chief commercial officer who will report to me and have responsibilities for our global sales, marketing, and communications organizations, with Doug assisting with the transition once that role is filled. Our new Vice President of Global Operations will transition to report to Dave Naemura, our CFO, who has worked closely with the operations team here at Neogen, as well as other organizations in the past. This realignment will provide a dedicated focus on our commercial activities, while also enabling Dave to work more closely with the operations and supply chain teams to further tap improvement opportunities.

Our head of Latin America also recently announced his impending retirement after a long career with Neogen, and we have hired his replacement, Enrique Carballido, who brings commercial experience from a number of multinational corporations in the diagnostic space, most recently as the Head of Latin America for Bio-Rad.

Finally, we recently announced the addition of a new member of our board, Thierry Bernard, who is the current CEO of QIAGEN, a leading global provider of molecular diagnostics solutions and insights.

This addition brings the valuable insights and perspectives of an independent public company CEO to our board, including those gained from experience in the food safety industry and prior roles. The goal of these additions and the organizational realignments is to continue to bring experience and capabilities under Neogen that puts us in the best position to execute on the significant opportunities we have in our primary end market of food safety.

We're the established leader in this market. I look forward to continuing to build on that position to drive sustainable, long-term growth.

Now, I'll turn things over to the operator to begin the Q&A.

QUESTION AND ANSWER SECTION

Operator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. [Operator Instructions] Your first question comes from David Westenberg with Piper Sandler. Your line is now open.

David Westenberg
Analyst, Piper Sandler & Co.

Q

Hey, guys. No, thank you for taking the question. So you've had 3M for a little while now, and there's definitely some great products that fit with your overall portfolio. How are you looking at maybe investments this year in sales and marketing, R&D, etcetera in terms of allocation towards Food Safety overall now that you have this new toys in the portfolio?

David H. Naemura
Chief Financial Officer, Neogen Corp.

A

Hi, David, Dave. Good question. I think what you've heard from us over the last year is a couple of things. A lot of commercial investment, particularly building out the international regions. We think there continues to be a lot of opportunity. And now that we have critical mass, both 3M acquisition, we've been putting a lot of energy there.

And also you've heard us talk about Petrifilm as a platform. It's very exciting and clearly an R&D priority for us to invest in. And of course, in Q1 announced a new [ph] reader (00:25:41) as well, the new feeder for higher volume processing. So, I think you've heard that from us and your take is right. It's very exciting. And I think hopefully, we'll continue on that theme.

John E. Adent
President, Chief Executive Officer & Director, Neogen Corp.

A

Yeah. And look, thanks, David. We've talked a lot about capital allocation, right, and where we're going to spend our money. And it's something we do and look at as a group and understand. And we see the profitability profile of those products and really a number of our other products in the Food Safety. And that's where we're going to continue to invest. That was the thesis of the deal. That's why we're still excited about the deal and that's why we're going to continue to put money behind it.

David Westenberg
Analyst, Piper Sandler & Co.

Q

Yes. That definitely sounds right. And then in terms of debt and how we're thinking about debt over the course of the next three years, I know you don't give three-year, four-year [ph] out here (00:26:38) guidance. But just in terms of the priority to pay that down, I still think that is a big capital priority for you though. I know you guys continue to think about tuck-ins on a pretty ongoing basis.

David H. Naemura
Chief Financial Officer, Neogen Corp.

A

Yeah. Yeah, look, I think you've heard us consistently talk about capital allocation priority, first, funding the integration, which is vital, but then on a net basis, reducing leverage. And as we do so, that frees up M&A capacity, right? So, I think, no change there. We got to keep getting the integration work done, which we made, obviously, huge strides in 2024. And as the years progress here, we think we'll be on an okay path. The guide implies around 3 times net leverage at the end of the year, of the fiscal year. A little higher than where we thought we'd be a few years ago at this time. But clearly manageable and I think reflective of our priorities.

David Westenberg
Analyst, Piper Sandler & Co.

Q

Perfect. And then just one last one here. The stock out of the Petrifilm, that is now well behind you. Can you talk about the customer recovery ratio? What kind of inning you are in terms of winning all those back? Is there still a big group that you have left to win back or did you get them pretty much all back over the last, say, year or so, now that you had product on a pretty consistent basis? And that's my last one. Thank you.

John E. Adent
President, Chief Executive Officer & Director, Neogen Corp.

A

Yeah, I think – thanks, David. I think there's two pieces of this. One is Petrifilm specifically, which is what you asked about in Japan, where we had the major issues. We won those customers back and we're actually seeing growth in Japan. I mean, that's been a good story for us. I mean, that was – I think we had multiple quarters of decline and we finally started to see that business turn around and return to growth. And it's a really strong team.

I think on the broader business where we struggled a little bit for a couple of quarters regarding our EWM system at the warehouse and [indiscernible] (00:28:52) customers, that continues to be a focus for us to win those customers back. That's going to take a little bit longer. We knew that we need to rebuild trust, have had a number of discussions with customers. And like I said in my opening remarks, what they want to see is consistent supply. We've done that for a quarter and they want us to just do it again. And so, we're still on that journey. That's why we talked about, for the year, how it was going to pace out. We knew first quarter was going to be our lowest and it's going to be a challenge for us. But we understood that and we think that we're on the right track.

David Westenberg
Analyst, Piper Sandler & Co.

Q

Thank you.

Operator: Your next question comes from Brandon Vazquez with William Blair. Your line is now open.

Brandon Vazquez
Analyst, William Blair & Co. LLC

Q

Hey, good morning, everyone. Thanks for taking the question. Can we – let's maybe start on the customer losses that you guys were just touching on. John, are you able to quantify at all what the customer losses were over the past couple of quarters, I know when you guys lost customers in Japan, you were able to give us a number. So, curious if you can quantify it at all. And then maybe just spend a couple more minutes talking about when you're sitting down with these accounts, what are they saying in terms of what they want to see from you consistently? And then if you're getting a good sense that once I show them one or two quarters of supply, they will come back predominantly for most of the share losses that you kind of lost in those accounts.

David H. Naemura
Chief Financial Officer, Neogen Corp.

A

Hey, Brandon, it's Dave. Just real quick, maybe quantifying a little bit, as we entered the year, you'll recall, we talked about what we thought the share headwind would be is at least a couple of points of growth for the year. I think what we saw in the first quarter was reasonably consistent with that. The data we look at, we think our share – kind of share headwind impact was about $8 million in the first quarter. That was globally the majority of that in the US.

And I'll let John talk to kind of the customer interaction and how this is coming along.

John E. Adent
President, Chief Executive Officer & Director, Neogen Corp.

A

Yeah. Thanks, Dave. So, Brandon, a lot of discussion with the customers I have is, first, they want to express to me their frustration, right. And so – and I tell them, there's no one more frustrated than me in the way that we were not able to meet their needs. Pretty much right after that, we've talked about what are the things that we've done and the improvements we've seen. So, we share that with them. I'll give you a good example. One is regarding MDS. We've already have efficiency improvements in that line in six months being under our roof than what it was in 3M.

And I think that's what gives me a lot of excitement is we spend a lot of time and energy in the last two years of working on integration to carve the business out and bring it into ours. And now, what we're starting – significant teams [ph] in the interim are (00:31:56) starting to refocus that energy and time from integration efforts to efficiency and growth efforts, which is what I'm really excited to see the team do.

I can show those points to customers, I show them the Petrifilm, how we've increased the availability of the product line. I can show them the efficiency in MDS, I can show them the progress we're making. And those are the things that allow us to continue to have discussions. The majority of the time, it's I listen, we have a discussion and then we sign the contract. Those are the way that a lot of those discussions have been progressing.

Brandon Vazquez
Analyst, William Blair & Co. LLC

Q

Okay. Great. And, Dave, maybe back to you now with one quarter under the belt and maybe one month under the belt into the next quarter, and knowing the conversations that you're having with customers at this point, just curious if there's any – you have a range out there for guidance for the year. Curious if conversations are leaning you towards one way or another on the range, or even if you could just talk about what gets you to the high end, the low end of those ranges through the rest of the year.

David H. Naemura
Chief Financial Officer, Neogen Corp.

A

Yeah. Thanks, Brandon. I think here, just with the first quarter behind us and yes, a view of September, which for, the first month of the quarter, we saw some improvement for the first month of Q2 versus Q1. I don't think it informs that we would narrow the range per se. There's still uncertainty around the timing and pace of share recovery. There's uncertainty more broadly in our end markets. And so, I think, the things we talked about when we set the guide kind of still exists, kind of one quarter in here.

And then most importantly, when we talked about the guide, we talked about this year being a little more second half weighted. So historically, maybe it would be 48% in the first half, 52% in the second. We see that shifting to a little more second half weighted, which I think creates the need for the volume ramp, makes it a little bit bigger. So, I think we still remain where we are. And to your point, as the year develops here, hopefully we can help color it a little better.

Brandon Vazquez
Analyst, William Blair & Co. LLC
Q

Okay. And maybe I'll throw out two quick ones out there. John, is there any feedback in the early days of the high volume Petrifilm feeder that you could share with us at this point? And then, Dave, just for you, just so that we can kind of talk about it on the broad call, any impacts that we should keep in mind from the past two hurricanes in the southeast? Thanks, guys.

John E. Adent
President, Chief Executive Officer & Director, Neogen Corp.
A

[indiscernible] (00:34:42) I only have one anecdotal story for you, Brandon, where we had a customer that was testing it and we said, okay, it's time to take it back. And he said, there's no way you're taking it back. So, that's my one anecdotal story. I think if I could add something else, this quarter has been challenging for us as an industry. And if you think about relevancy of our business, we've had two major outbreaks with major companies that have had devastating impact on their consumers. And it just goes to show what we do and why we're important.

And one of the things I'll tell you is we had a meeting where one of the things we did for our research – our tech service teams was we put up the number of people that were affected by – that died to food-borne illness in the United States. And our job is to make sure that it doesn't happen. And while we continue to see these things go up, the issue is you have to continue to look forward. A lot of these companies didn't have a problem for 100 years until they had a problem.

And I think that's why it's important, when you look at what we do with our environmental monitoring programs, our risk assessments, to help these customers continue to look forward and not backwards and rest on kind of where they are because the world's constantly changing, whether – to your point, whether it's environmental change. We're also – we've got plants that it wasn't – never flooded before. It wasn't as humid; now, it's more humid. Those are all risk assessments that we have to update, help our customers update to continue to protect the food supply.

So, I'll let Dave talk specifically about the hurricanes. But I just want to make sure that two major things happened in this quarter we need to keep an eye on.

David H. Naemura
Chief Financial Officer, Neogen Corp.
A

Yeah. Brandon, I don't have a quantification of the recent storms in the South. Obviously, the results of Milton here are pretty fresh. And so, it's something we're keeping an eye on, the logistical impacts and other things at this stage. But I don't have a quantification at this time.

Operator: [Operator Instructions] Your next question comes from Thomas DeBourcy with Nephron Research. Your line is now open.

Thomas DeBourcy
Analyst, Nephron Research LLC
Q

Hi, guys. Can you hear me all right?

John E. Adent
President, Chief Executive Officer & Director, Neogen Corp.

A

Yeah. Tom DeBourcy, I can hear you.

Thomas DeBourcy
Analyst, Nephron Research LLC

Q

Okay, great. So my question is, I guess, around the chief commercial officer position that you're creating, I know it's kind of being carved out of an existing role, but I guess kind of – it seems like it ties together at an opportunistic time where both your end markets have been cyclically weaker and now, we're kind of going back to a period of strength and revenue generation opportunities. You may be bidding with more customers that are more receptive to offerings. So, how are you thinking about both the C-suite role, but then also what else Neogen can do in terms of, I guess, additional revenue generation and new customer acquisition?

John E. Adent
President, Chief Executive Officer & Director, Neogen Corp.

A

Yeah, great. No. Thanks, Tom. A couple of things with that. I think that's why we're splitting it to a chief commercial officer role and not a chief operating officer role because we see the opportunity to continue to focus. And the reason we're able to do that is because Doug did such a fantastic job when he was here building out his team. And we have a really, really strong vice president of operations that we are very happy to have on board. Jim's been with us over a year or right around a year and is making tremendous impact. And so, it gives us great confidence in him running the operational side and really then hiring someone that's going to focus fully on demand generation.

And for those of you – I've worked with Doug for over a decade. He's done a great job. We're really happy that he's got the opportunity to retire and do some of the things that he wanted to do. And I'm even happier that he built such a strong team that's allowing us to make these types of organizational moves in a way that is planned and allows us to meet the needs of the business going forward.

Thomas DeBourcy
Analyst, Nephron Research LLC

Q

Got it. And just, I guess, as a follow-up to the cost side, kind of, I guess, the ongoing portfolio review, as I think about part of the 3M business you acquired, seems like there were some areas where you might have some overlapping products, and whether there's some, I guess, consolidation opportunities or maybe they serve different customers. But then also, how you're looking at potential lower margin products and whether exiting those products or selling some products maybe a good return on capital.

John E. Adent
President, Chief Executive Officer & Director, Neogen Corp.

A

Yeah. No, I think that's right, Tom. And we've done some of that already. I mean, it's not something that we went out and publicized, but we paired some of the – we've already worked with customers on [indiscernible] (00:40:32) some lines that we've got from 3M. We have – but we also have to look at that with our own portfolio, right. And that's something that we told you we have been working on for the last year. And while we don't have anything to announce today, it's something that we continue to focus on and continue to evaluate because we're looking at where we get the greatest return for our capital. So, capital allocation right now is really important for us. And making sure that we are investing in the areas for the greatest return is what we're laser focused on right now.

Thomas DeBourcy
Analyst, Nephron Research LLC

Q

And then just maybe the last question. Geographically, China has continued to be a focus on the animal health, Animal Safety side, whether it was African swine fever or other issues that, obviously, you've been having the last few years. Just how do you view kind of the importance of that market for Neogen's growth? That'll be it for me.

John E. Adent
President, Chief Executive Officer & Director, Neogen Corp.

A

Yeah, I think, Tom, looking at the Asia-Pacific region as a whole is more important for us. It is a tremendous growth opportunity for us in a lot of different markets. We've got a really strong team in Japan. We've got a strong team in Korea. We're building out a strong team in the Philippines. We've got a strong team in Thailand. We've got a strong team in China. So, we're not reliant on just China for our growth.

And as you know, China has been challenging, which has been good because we have such a broad mix and such a broad sales mix across that region. So, we're really focusing on Asia-Pacific. And as Dave talked about earlier, really, all of our international regions, that's where we're placing our money to expand those teams internationally because we have such a low market share. And we've seen really good opportunities for that. You continue to see – we've seen Japan, which is our largest market, single country outside the US, turn the corner and start to grow again, which we're excited about. We've continued to see significant growth in LATAM. We continue to see growth in Europe. And if those markets continue to outgrow North America, we're going to continue to invest in those markets.

Thomas DeBourcy
Analyst, Nephron Research LLC

Q

Great. Thank you. That's it for me. Appreciate it.

Operator: There are no further questions at this time. I will now turn the call over to John for closing remarks.

John E. Adent
President, Chief Executive Officer & Director, Neogen Corp.

Again, thank you very much for joining. And like we talked, about as we saw this quarter, it shows the relevancy of Neogen to protect the world's food supply because we saw major companies have very significant issues that have affected a lot of consumers in the US specifically.

So, we're continuing to show that we are the leader in the space. We continue to develop new and innovative solutions to help those customers understand what their risks are and how to mitigate those within their facilities. So, thank you very much, and we will see you again at the next call.

Operator: Ladies and gentlemen, this concludes your conference call for today. We thank you for participating and ask that you please disconnect your lines.