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Neogen Corp. (NEOG)

Q1 2024 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Welcome to the Neogen Corporation First Quarter 2024 Earnings Call. All participants will be in listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. [Operator Instructions] Please note today's event is being recorded.

I would now like to turn the conference over to Bill Waelke, Vice President of Investor Relations. Please go ahead, sir.

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 2024 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 a 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 provides 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 our earnings call covering the first quarter of our 2024 fiscal year. We made significant progress across a number of fronts on the integration of the former 3M Food Safety business, while continuing to navigate soft market conditions. Our results for the quarter were largely as anticipated, with two primary exceptions: greater-than-expected weakness in Asia and in genomics, along with a couple of unanticipated cost items. For Neogen in total, we saw core revenue growth decline by 0.4% in the quarter on a pro forma basis, which includes a negative impact from China of approximately 1%. In our legacy Food Safety business, core revenue growth was in the mid-single digit range, including positive volume growth in an end market where food production volumes continue to be down on a year-over-year basis for many producers.

Additionally, certain producers have taken capacity offline in order to right-size output from higher levels last year to the current environment. In our Animal Safety segment, we continued to see the impact of destocking in the distribution channel. Sales out of the channel to our end customers remained positive compared to the prior year, but large veterinary distributors continued to reduce their purchases. Based on the data we have from the larger distributors in North America, channel inventories are at a three to four-year low. In the former 3M Food Safety division, the progress made with production levels at our transition manufacturing partner in Q4 of last year was maintained. For the former 3M division in total, core revenue grew by approximately 1% in the first quarter on a pro forma basis.

Backlog remains at reasonable levels following the progress in the prior quarter catching up on past due orders, which helped drive a strong fourth quarter. We continue to work on rebuilding demand through targeted initiatives as we demonstrate reliable supply of Petrifilm and progress has been notable. Although pro forma growth was lower in Q1 impacted by weakness in Asia, a tough comparison against some elevated activity last year and a strong Q4 where we caught up on fulfilling orders, we have seen good progress so far in Q2 and remain very optimistic about the opportunities ahead of us. As we operate through a rather dynamic market environment, we're encouraged by our performance. The destocking in Animal Safety will ease as inventories right-size and end user sales out of the distribution channels continue to grow.

On the Food Safety side, we're dealing with a few challenges unique to us in Asia Pacific and macro weakness in China, specifically that is common to most companies. However, outside of Asia Pacific, our Food Safety core revenue grew over 4% with positive volume despite the lower production volumes we see across much of the food production landscape, demonstrating the resiliency of our business. On the integration front, the relocation of the former 3M pathogen and sample handling product lines into Neogen facilities remain on track for completion in the third quarter. Hiring and training of new employees and inventory builds are underway as are initial equipment transfers, with site preparation expected to wrap up later this month.

These two product lines account for nearly 30% of the revenue of the former 3M business and are a strong complement to the Neogen product portfolio that we're looking forward to have fully embedded within our operations. After these moves, we will have nearly 50% of the former 3M product lines fully integrated, all but Petrifilm. The planned exits of the two transition services agreements, those covering back office functions and distribution, are also on track to be completed in the third quarter. A key step that enables the exit of these agreements is the implementation of our new ERP system which will allow us to take over order fulfillment services currently provided for the former 3M products. Last month, we had the initial go-live with our Food Safety business in the US and Canada as well as corporate, making the [ph] cut over (00:06:22) to the new ERP on which we are now up and running.

Implementation has generally gone well and that we are fully operational on the new system, processing orders and shipping products. But as is typical, we are not as efficient yet on the new system as we were on the old. As a result, we've exited the month of September with an elevated level of open orders in our legacy Food Safety business that we expect will mostly ship in October and November. But as we continue to work our way up the efficiency curve, it is possible that some level of revenue will shift from Q2 into Q3. What would be most important, however, is continuing to see end user demand in line with our expectations and working diligently to satisfy it. The final phase of integration activities involves the construction of our new facility in Lansing which will house the production of Petrifilm and other products from the legacy Neogen portfolio.

The new facility continues to progress on track with construction of the exterior expected to be completed during Q3, at which point the focus will shift to the completion of the interior work and the installation of the custom manufacturing equipment. We're pleased with the progress we've made on the integration to-date and are focused on the execution of the upcoming key transition activities in the second and third quarters that will bring the former 3M business closer to full autonomy within the One Neogen we're building.

Now, I'll 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. Jumping into the results, our first quarter revenues were $229 million, an increase of 73% compared to the same quarter a year ago. Core revenue which excludes the impact of foreign currency, acquisitions and discontinued product lines declined just over 1% for the quarter. Acquisitions and discontinued product lines added a net 73% while foreign currency was a 1% tailwind compared to the prior year. On a pro forma basis for the 3M transaction, core revenues declined modestly, down 40 basis points compared to the prior-year quarter or approximately $4 million to $5 million below our expectations driven primarily by lower sales in Asia. In Asia Pacific, customers were more impacted by the Petrifilm supply constraints we experienced last fiscal year, leading to what we believe will be a slightly longer path to demand recovery.

Our China exposure is small, representing less than 3% of total company revenue, but worsening macro conditions there contributed to significantly lower sales in the quarter. Moving now to the segment level, revenues in our Food Safety segment were $166 million in the quarter, an increase of 157% compared to the prior year, including core growth of 4.5%. The core growth was led by the Bacterial & General Sanitation product category which benefited from new microbiological testing business in the US and UK. Natural Toxins & Allergens also had solid core growth, with a notable increase in sales of milk and gluten allergen test kits. Within the Indicator Testing, Culture Media & Other category, modest core growth in Culture Media was offset by a decline in food quality and nutritional analysis sales due in part to international distributor ordering patterns.

Quarterly revenues in the Animal Safety segment were $63 million, a core decline of just under 7% compared to the prior-year quarter. Albeit generally in line with our expectations, Animal Safety revenue was a bit lighter than anticipated, driven primarily by continued destocking at large veterinary distributors. This destocking was the primary reason for the core revenue decline in Vet Instruments & Disposables, while supply constraints played a role in the lower sales of small-animal supplements and vitamin injectables in the Animal Care & Other category. These declines were partially offset by solid growth in our biosecurity products, with higher volumes in Insect Control products and Cleaners & Disinfectants. Worldwide genomics revenue was down modestly on a core basis, with growth in international beef markets, offset by declines in poultry and porcine, driven primarily by the attrition of a couple of large customers in the US.

In the former 3M Food Safety division, core revenue grew modestly on a pro forma basis, as John mentioned, which includes a compare headwind of a few points and also follows a very strong Q4. The Bacterial & General Sanitation product category saw the highest growth this quarter, with particularly strong sales of Clean-Trace hygiene monitoring products. This growth was partially offset by a modest core revenue decline in Petrifilm with the largest driver being the aforementioned weakness in Asia and China in particular. Importantly, we were pleased to see that the improvements made in transition manufacturing during Q4 were sustained into Q1, providing stability of supply and allowing us to focus on demand-generating activities. From a geographical perspective, results were mixed. Growth was led by EMEA, which grew in the high-single digits and LatAm in the mid-single digits.

USAC was down low-single digits due mainly to the destocking at large Animal Safety distributors, as well as the lower sales in genomics, while the Food Safety business grew in the low-single digits. Finally, APAC declined mid-single digits as a result of a slower-than-anticipated recovery in 3M demand following the Petrifilm supply constraints and also across-the-board softness in China. Recall that China represents less than 3% of our global revenues, but we experienced a decline in the high-20s, so the impact was measurable, particularly at the regional level. Gross margin in the first quarter was 51%, representing an increase of 400 basis points from 47% in the same quarter a year ago, with the increase primarily driven by the addition of higher-margin business from the 3M Food Safety transaction, as well as positive price/cost. On a pro forma basis, gross margin expansion was 180 basis points.

Adjusted EBITDA was $52 million, representing growth of 94% from the prior-year quarter, driven by the merger with the former 3M Food Safety division. Adjusted EBITDA margin was 22.9%, a year-over-year increase of 250 basis points, including approximately 100 basis points of negative impact from a non-recurring billing adjustment from our transition manufacturing partner and transaction FX. On a pro forma basis, adjusted EBITDA margin expansion was 10 basis points, lower than we had anticipated due to the non-recurring items I mentioned and volume being a bit lighter than expected. Adjusted net income was $24 million for the quarter, with adjusted earnings per share of $0.11 compared to $18 million and $0.16, respectively, in the prior-year period. The increase in adjusted net income was driven by higher adjusted EBITDA, which more than offset the increase in interest expense.

While adjusted earnings per share was negatively impacted by the increase in weighted average shares outstanding from the Food Safety transaction. We ended the fourth quarter with gross debt of $900 million, 67% of which remains at a fixed rate and a total cash position roughly unchanged from Q4 at $239 million, resulting in pro forma net leverage of 2.9 times and total liquidity of over $375 million. Although the first quarter is typically our lowest quarter seasonally, this year's was a bit lower than we had anticipated, but generally in line with how we anticipated the year developing. From what we have seen through the first month of Q2, the demand environment continues to appear consistent with what we had expected. As John noted though, we are fully immersed in our ERP implementation, which will enable us to extract ourselves from the transition service arrangements we have with 3M.

The inefficiencies he mentioned will make shipments more challenging in Q2 and we will likely have carryover of some Food Safety open orders into the initial weeks of Q3 as a result. Based on this dynamic, we could see a broader range of outcomes for the second quarter depending on how the backlog of open orders develops. Our current base case view is that we should see a modest sequential increase in revenue which assumes we exit the quarter with an elevated level of open orders as well as a modest sequential increase in adjusted EBITDA margin. If we do see some amount of revenue shift from Q2 to Q3, this would correspondingly affect the normal seasonality of our business in which the second half of the year typically accounts for 52% of the year's revenue.

Based on our first quarter results and the normal seasonality of the business as well as the expectation of an improved end market environment in the second half, we are maintaining our full year outlook.

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

John E. Adent

President, Chief Executive Officer & Director, Neogen Corp.

Thanks, Dave. As you heard today, we believe we're making solid progress on the integration of the former 3M business and are on track to be completely independent from 3M in the third quarter, outside of Petrifilm manufacturing, where we feel that arrangement is in a stable place. Our new ERP system is up and running after the Phase 1 launch which is a significant step to have behind us, and we will work diligently through the backlog of open orders as we continue to become more efficient on our new ERP system. We still have significant work ahead of us though with key activities taking place in the second and third quarters as we implement the final steps needed to relocate production and exit the transition services agreements. In addition to the important step of gaining full operational control of this part of the business, there are the associated savings we expect to see from exiting the agreements, and we fully anticipate ultimately achieving greater efficiency and utilization in our footprint.

Having now crossed the one year anniversary of the 3M transaction, we're excited about the opportunities we have to leverage our leading position in the food safety market. Our sales and R&D teams are now approaching one year of working together on the combined product portfolio, building momentum that will result in new commercial opportunities particularly as the market conditions improve. Our team members around the world have worked tirelessly on advancing the integration process, and I want to wrap up here today by thanking them for their hard work. We have a shared goal that we are ever mindful of to remain the global leader in food safety and help protect the world's food supply.

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

QUESTION AND ANSWER SECTION

Operator: Yes, thank you. At this time, we will begin the question-and-answer session. [Operator Instructions] And the first question comes from Brandon Vazquez with William Blair.

Brandon Vazquez
Analyst, William Blair & Co. LLC

Q

Good morning, everyone, and thanks for taking the question. I guess first, just to start on guidance at kind of a high level. I think some of the weakness in the quarter was coming from worsening macro, especially like in China given update seem to be kind of negative out of there. Just curious what gives you guys kind of confidence around reiterating the guidance range. Obviously, that was encouraging to see, maybe an indication of the underlying momentum you guys are seeing. But again, in kind of a worsening backdrop and macro, that seems to be out of your control a little bit. What are you guys seeing that's giving you guidance or comfort in that guidance range?

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

A

Yeah. Thanks, Brandon, and thanks for being here. I think specifically to China, what we're seeing is that it's a relatively small piece of the business. It's only 3% of revenue, so while China was a challenge, as we look forward, it was a particularly tough quarter that had a tough comp but I don't think it's going to repeat, so we don't see that big of a drag. For the overall market, it's pretty similar to what we've been seeing. Food production volumes are slow, the distributor channel is destocking; that's kind of what we thought was going to happen for the year. And so, while this quarter was about a $4 million miss on what we expected it to be, we feel pretty comfortable about where we are on end user demand. I think like we talked about, kind of the wildcard is making sure that we're getting the product out the door with the SAP conversion.

I'm really proud of the team on what we've been able to do. And an SAP conversion, you hear all the horror stories but you don't hear the good stories; this is one of the good stories, right? We're 40 days in. We're immediately able to do order to cash; bill customers; pick, pack and ship; manufacture, but we're just not as efficient and it's going to take us a little while to get that efficiency up, so we're caught a little bit behind. We think we can catch up in October, November. But as Dave talked about, there may be a little bit of carryover going into the third quarter. So, I'll let Dave talk a little bit more about guidance [indiscernible] (00:20:21).

David H. Naemura
Chief Financial Officer, Neogen Corp.

A

Yeah. No, I think that – hey, Brandon, I think John summarized it pretty well. I guess I'd just highlight, we talked about the first half being softer and that's what we're seeing. But outside of Asia Pacific, where I think we have some challenges that we noted in the prepared remarks, we saw particularly the Food Safety business grow pretty good outside -on a global basis outside of Asia Pac. So, there's some strength there, but I think the environment's not too different than we'd anticipated.

Brandon Vazquez
Analyst, William Blair & Co. LLC

Q

Okay. And Dave, maybe as a follow-up to that, you just hit on – you guys mentioned on the prepared remarks a little bit that there are some – I think the phrase John had used was there unique challenges to Neogen in APAC. Can you guys maybe talk about some of those challenges that are unique to you guys, what you're doing to...

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

A

Yeah.

Brandon Vazquez
Analyst, William Blair & Co. LLC

Q

...try to maybe fix some of those efforts?

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

A

Yeah. What we mean by that was when 3M was struggling with their production of Petrifilm, APAC was asymmetrically hurt regarding supply. And so, you had almost 24 months of supply disruption, which really challenged customers because they just – they had to do other solutions and they had to find ways to continue to run their business without the Petrifilm product. And so, the unique challenge to us is we have to earn back their trust, Brandon. We've got to show them we have supply. But one quarter, they're like great, but show me another quarter. So, now we're two quarters in where supply is where it needs to be. But it's going back to those customers and winning back their trust that now under our regime, we've fixed the supply issues that we weren't able to really fix for two years and earn their trust back and get that business back.

Brandon Vazquez
Analyst, William Blair & Co. LLC

Q

Okay. And maybe I'll throw one last follow-up to that and then I'll let someone else get in queue here. But as you look at APAC and you're talking about winning trust back, do you guys have a sense of where those customers are going? I think often when we talk to experts, they fall on kind of like backup plans. Are they moving to competitors? Do you think this is kind of temporary? Any thoughts around that? Thanks.

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

A

Yeah, it's – it's a little bit of both. It's not so much traditional methods there. We did see some move to competitors, but we're seeing those customers come back. That's why I said in the prepared I was encouraged because we're starting to see that move back. But it's – it takes you two years to lose them and it's going to take us a little while to gain them back. But I think we're really confident that our solution and our – the things that we provide around our product portfolio, solutions and people are just head and shoulders above our competitors. So, we're going to get that business back.

Operator: Okay. Thank you. And the next question comes from Tim Daley with Wells Fargo.

Timothy Daley
Analyst, Wells Fargo Securities LLC

Q

Great. Thanks. So, John, just could you give us a bit more details on the genomics, I think the term was attrition of two US customers, please?

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

Yeah.

Timothy Daley
Analyst, Wells Fargo Securities LLC
Q

And...

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

Yeah.

Timothy Daley
Analyst, Wells Fargo Securities LLC
Q

...did that impact the kind of I guess below expectations revenue in the quarter?

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

So – yeah, thanks, Tim. So, the – we've two large customers that are in very challenging markets right now on poultry and swine. And we're putting extreme pressure on pricing and other solutions for us. And for years, these have been good volume customers, but relatively low margin customers. And you've seen that we've been moving to transition the genomics business to different species that are higher value, higher margin. And when the pressure came and they wanted a significant price decrease, we declined. So, we made the decision that even though it was going to hurt us on volume, it wasn't as significant from a profitability standpoint. So, that's really what drove that decision.

Timothy Daley
Analyst, Wells Fargo Securities LLC
Q

All right. No, I appreciate that detail. And just thinking about those two customers, is there something that we could take out of the [ph] ramp (00:24:44) model here in terms of 2023 revenues, any color around percent of revenues maybe those two customers accounted for or would have accounted for going forward?

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

Well, Tim, hey, it's Dave. I think it's in the guide. I would say the new news for us a little bit in the quarter wasn't these folks. I would say things came in generally a little bit lighter. I think some – because of some of the end market pressures, but I think this more describes the – kind of the absolute growth rate. I'd say it's contemplated in the guide.

Timothy Daley
Analyst, Wells Fargo Securities LLC
Q

All right. Got it. Perfect. And then thinking about the destocking, just I know new commentary around – I think the channel is at low – pretty low levels here. Just when should we think this rebounds or how long should these low level sustain the inventory before going back to normal, or are we at new normal at low levels? Just additional thoughts here on timing?

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

A

Yeah. Tim, I don't think we're at new normal. I think this is abnormally low. And based on what we're seeing on end user demand, so we see what goes in and what goes out on end user demand. Like I told you, I've always been bad at calling the bottoms. But to me, this is not a sustainable model, so I feel pretty comfortable like we talked about second half of the year where we think that you can't drive inventories down that low and still provide the type of service levels that I know the other distributors want to provide to their customers. So I think this is a – it's something that we contemplated and we think probably in the back half of the year it's going to improve.

Timothy Daley
Analyst, Wells Fargo Securities LLC

Q

All right, got it. Then, Dave, final one for me and I'll pass it along. So could you just walk us through the transition agreement here in terms of the pathogen and sample handling lines as a percent of like – you called it out 30% of revenues. How much of the, I guess, transition manufacturing agreement cost are those product lines and how should we think of like the day one margin impact as those dual costs roll off, if you will?

David H. Naemura
Chief Financial Officer, Neogen Corp.

A

Yeah. Tim, look, we're obviously standing up a reasonable amount. There's costs from kind of move and kind of one-time in nature, but we're standing up recurring cost just to accept those product lines in. And when those happen, to your point, we won't be paying the manufacturing transition fee. I think net-net, that's accretive to us. Tough to quantify too sharply, and some of the costs are overlapping. But you had seen us put forward a schedule in the spring about where we expect it to be from an integration standpoint at the end of our third quarter. Hopefully, you took away from the call that we feel [ph] strapped in the (00:27:42) first; we continue to track to that. I think the other thing I'd add is that on the OpEx line – and we have some duplicate costs as well that we'll see come out for the fourth when we're able to get to that point of integration we previously noted.

So, just under 23% adjusted EBITDA margin for the first, I talked about 100 basis points of some kind of unanticipated headwinds, but there's probably another 100 basis points of duplicate cost in there. So we got to manage it well, but I think the fourth quarter and really the exit rate for the year is how I think about it is where we should see us down to just manufacturing transition fees related to the manufacturing of Petrifilm, and then of course that becomes an issue in the coming years. So maybe not as precise an answer as you're looking for but hopefully, that contextualizes it.

Timothy Daley
Analyst, Wells Fargo Securities LLC

Q

No, that was great. Appreciate the time. Thanks, everybody.

David H. Naemura
Chief Financial Officer, Neogen Corp.

A

Thanks, Tim.

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

A

Thanks, Tim.

Operator: Thank you. And the next question comes from Dave Westenberg with Piper Sandler.

Q

Hi. This is [ph] John (00:28:48) on for Dave. Thanks for taking the questions. So can you give any additional details on the ERP implementation? So there was some revenue that was shifting from between the different quarters from the second quarter. So can you just walk us through what the implementation issues were, what the degree of the shift was, and what the areas were that shift was mostly around?

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

A

Yeah. Thanks, [ph] John (00:29:14). Like we talked about in the prepared remarks, when you go to a new ERP system, you will not be as efficient day one as you are on the old system because you'd spent 20 years on the old system and you knew it backwards and forwards. So like I said, the good news was the business was up and running, we were able to do all the functions, nothing stopped; it's just we're not as fast in really around warehousing than we are in everything else that we were before. So we're finding a way to continue to train the teams. We're seeing sequentially daily that that is improving day-by-day, but we had a period of time where that wasn't at our average, and so we have to over-perform to get to the average. And I know Dave's got a couple of comments on this, too.

David H. Naemura
Chief Financial Officer, Neogen Corp.

A

Yeah. Just to make sure we're clear. So this didn't affect the end of the first quarter, so we went live for the first day of the second quarter. So what we're looking at is the first month of our second quarter here and how shipments are out the door, and we carried over open orders from September into October. And that was low double-digit millions, whereas it'd usually be much lower than that as we ship at a slower rate and we got to make that up, right? So the question is do we carry over some of that out of the second. So our goal here was to share I think first and foremost that the implementation went well; I think that's the headline. As anticipated, maybe we're shipping a little bit slower than we otherwise may have and that we're kind of calling it out as potentially a shipment timing risk for the second.

Some of that might push to the third, but what we really got our eye on is the demand backdrop, I would say, through the first month. Hopefully, you heard from us that feels supportive.

Q

Got it. Thank you. So also, we heard that Walmart had suggested that consumers are reducing their buying because of GLP-1. Are you actually hearing food producers saying anything similar?

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

A

We're hearing the same things that you're hearing. Most of them are watching. They're understanding that it may have an impact and we're looking at the same thing, [ph] John (00:31:40). I think if you look at it in the relative scale and size of our business, GLP-1 will be a headwind, but it is going to be a relatively small headwind compared to the big tailwinds we have around this business, around increased regulatory environment, increased customer usage, expanding into new geographies, developing new products. So, while it may be a headwind going forward, it's going to be, I think, a de minimis headwind.

Q

Got it. Thank you. And just one last one. Sorry if I missed it, but have you – do you think that any customers stocked Petrifilm earlier in the year during the supply constrained environment?

David H. Naemura
Chief Financial Officer, Neogen Corp.

A

Sorry, I didn't get the question...

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

A

Yeah. Can you say it again...

David H. Naemura
Chief Financial Officer, Neogen Corp.

A

My line is breaking up a little bit.

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

A

...say it again, [ph] John (00:32:30)?

David H. Naemura
Chief Financial Officer, Neogen Corp.

A

Yeah.

Q

Yeah. Sorry if I missed it, but did – is it your understanding that any customers stocked Petrifilm earlier in the year during more supply constrained environments?

David H. Naemura
Chief Financial Officer, Neogen Corp.

A

No, I don't think we've – I don't think we've seen that, no. I mean, just no.

Q

Got it. Thank you.

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

A

Thank you.

Operator: Thank you. And this concludes the question-and-answer session. I would like to turn the floor to management for any closing comments.

John E. Adent

President, Chief Executive Officer & Director, Neogen Corp.

Thank you. Yeah. As we stated earlier, while the quarter was a little softer than anticipated, I think what we wanted to talk about was the success really of the integration and moving off our two transition services agreements and standing up ERP. And for those of you that have been involved in a lot of different companies, those were significant risk factors that could derail organizations. And I'm really proud of the team and the work they've done and the ability to plan and execute kind of seamlessly to continue to move to the new Neogen and the One Neogen environment. So, we're really excited about the future. We look forward to talking to you at the end of second quarter. Thank you.

Operator: Thank you. The conference has now concluded. Thank you for attending today's presentation. You may now disconnect you lines.