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Neogen Corp. (NEOG)

Q4 2022 Earnings Call

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President, Chief Executive Officer & Director, Neogen Corp.

Steven James Quinlan

Chief Financial Officer, Neogen Corp.

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Andrew Brackmann

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, and welcome to the Neogen Corporation Fourth quarter and Full-Year 2022 Conference Call. All participants will be in a listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions [Operator Instructions] Please note this event is being recorded.

I would now like to turn the conference over to Mr. John Adent, President and CEO. Please go ahead.

John E. Adent

President, Chief Executive Officer & Director, Neogen Corp.

Good morning and welcome to our regular quarterly conference call for investors and analysts. Today, we'll be reporting on the fourth quarter and the full 2022 fiscal year which ended on May 31. As usual, some of the statements that could be termed as forward-looking statements. These statements are subject to certain risks and uncertainties and our actual results may differ from those that we discuss today. The risks associated with our business are covered in part in the company's Form 10-K as filed with the Securities and Exchange Commission.

In addition to those of you joining us by live telephone, we also want to welcome those of you online. Following our prepared comments this morning, we'll address questions from participants who have joined this live conference. I'm joined this morning by Steve Quinlan, our Chief Financial Officer, who will provide some additional details on our results for both the quarter and the full fiscal year.

As we reported in our press release this morning, we're pleased to report record revenues of our 2022 fiscal year with an overall increase of 13% over the prior year. I'm incredibly proud of our entire Neogen team for all their hard work and their continued dedication to our mission, to be the leading company in the development and marketing of solutions for animal and food safety. It hasn't been an easy year. But their enthusiasm and hard work every day inspire us as we work toward our goals.

The fourth quarter was a strong conclusion to a great fiscal year reporting revenue growth of over 10% from the prior fiscal year. To achieve a fourth quarter or double digit top and bottom line growth while preparing for the integration of the 3M business is a tremendous accomplishment and shows the strength of our exceptional team.

The momentum from this quarter has helped propel us into our new fiscal year and toward the close of our 3M Food Safety transaction.

We were pleased to see gains in our Food Safety products this quarter with particular strength across our diagnostic testing portfolio. Our natural toxin test kits performed well within the market, particularly our aflatoxin, [indiscernible] (00:02:47) test kits. We're seeing grain supplies become more valuable, making natural toxin testing very important for grain suppliers around the world. Our One Broth One Plate solution continued to lead growth within our culture media testing as more labs in the US and UK adopted the product, which simplifies the classic microbiology testing for the detection of listeria and salmonella within the food and environmental samples.

We also saw growth along our general sanitation product line as our AccuPoint Advanced Next Generation handheld ATP sanitation monitoring system gain market share. The system, which we launched in May of 2021, quickly and effectively detects ATP as a measure of the cleanliness of a facility. The system connects to our Neogen Analytics platform, which helps customers manage their testing data and create streamlined processes, providing them immediate access to critical information within their environmental monitoring programs.

This Software-as-a-Service, which connects to both our AccuPoint NG [ph] and answer (00:03:49) systems, help users implement sanitation monitoring systems that reduce risk and elevate food safety compliance. We see this software as an invaluable resource, and this has been validated by our customers as we've seen a 95% contract renewal rate among Neogen Analytics customers. Additionally, at sites where Neogen Analytics is activated, we've seen a 38% increase in sales of ancillary Neogen products.

Our Animal Safety segment also had strong results for the quarter as we continue to see our veterinary instruments gain market share from competitors. We continue to drive impressive growth of the StandGuard insect product line, a testament to Neogen's ability to successfully integrate acquisitions into our existing business.

In our genomics business, we're pleased with our Genetic Veterinary Sciences acquisition completed in December of 2021. The team out in Spokane just recently moved into a larger lab space, more than doubling the size and expanding their capabilities as our seventh global genomics facility and third North American facility. The lab has recently received its ISO 17025 accreditation, the highest quality standard in the world for testing and calibration laboratories. Overall, a very strong quarter to close out a very strong year.

Now, I'm going to turn it over to Steve to talk a little bit more about our numbers for the quarter and the year.

Steven James Quinlan

Chief Financial Officer, Neogen Corp.

Well, thank you, John, and good morning to everyone on the call today. As John indicated, fiscal 2022 is another solid year, and our team overcame a lot of headwinds to allow us to report the numbers we're sharing today. This morning, we issued a press release announcing the results of our fourth quarter and full year which ended on May 31.

As John mentioned, revenues for the quarter increased 10% to \$140.1 million from \$127.4 million in the prior year. For the full fiscal year, revenues rose nearly 15% to \$527.2 million from last year's \$468.5 million. Net income for the quarter was \$15 million or \$0.14 a share compared to \$15.8 million a year ago or \$0.15 a share. These results included \$5.7 million in 3M-related deal expenses for the quarter. Excluding these costs, our adjusted net income was a strong \$19.1 million or \$0.18 a share, an increase of 21% over last year.

Full year net income for fiscal 2022 was \$48.3 million or \$0.45 a share. Excluding the \$25.6 million of 3M deal expenses, our adjusted net income was \$67.9 million, an increase of 12% over last fiscal years' \$60.9 million or \$0.57 a share. As John noted, tremendous top and bottom line performance, achieved under difficult operating conditions.

On a constant currency basis, revenues were approximately \$1.6 million lower in the fourth quarter than the same period last year, as the US dollar strengthened against the pound, the euro, and the Australian dollar. For the full-year, we had about \$844,000 of benefit from currency fluctuations compared to the prior year. Sales from recent acquisitions also contributed to our revenue increase in fiscal 2022. For the fourth quarter, organic sales increased 6%. The increase was 8% on a constant currency basis, and for the full-year, our organic sales rose 9%.

Overall, revenues in the Food Safety segment increased 5% in the fourth quarter and 11% for the year. The fourth quarter was negatively impacted by lockdowns in Shanghai, which shut down our Chinese operation in April and May. Additionally, we've noticed some belt tightening from our customers as inflationary pressure and economic concerns over the Russian-Ukraine war are affecting testing quantities and order patterns. Our data shows we're gaining new business and retaining customers, but there is some softness in our markets.

Highlights in the Food Safety segment for the full year include a 12% increase in sales of our general sanitation line, driven by higher sales of our new AccuPoint reader, which was launched late in our 2021 fiscal year. Sales of our allergen test kits increased 9%, and sales of natural toxin test kits rose 6% as we started to see increased business related to Brazil's corn harvest in the fourth quarter. You might remember that a drought decimated last year's harvest, which led to very low sales of our aflatoxin test kits in our first and second fiscal quarters this year.

Our Listeria Right Now product continues to gain market share with 25% growth. And as John mentioned, the UK has had great success with their new laboratory workflow called One Broth One Plate. This contributed towards a 16% increase this year.

I'm pleased that sales of our Soleris product line, which detects microbial organisms such as yeast and mold, increased 4% for the year despite difficult prior-year comparisons, driven by high sales of our popular new reader. We continue to face competitive pressures with our lower-margin drug residue product line as those sales declined 33% in fiscal 2022. Megazyme sales increased 6% in the fourth quarter on a global basis. This business, which was acquired in December of 2020, has now been fully integrated into our operations and has met our expectations in fiscal 2022.

Looking elsewhere internationally, sales were up 14% despite the challenges presented by China's lockdowns and the conflict in Ukraine. Sales in the UK increased 13% for the year, led by a 25% increase in sales of cleaners and disinfectants, primarily due to new business won in the UK and ongoing strong sales to Asia to address African swine fever.

Revenues in our Brazilian Food Safety operations were flat for the full year as this business was negatively affected by a decline in dairy drug residue kit sales and the impact of the greatly reduced corn crop in the first half of the fiscal year. We were pleased with our fourth quarter results in which sales increased 18% in reals. Sales at our Mexican operation increased 9% for the quarter in pesos. Our China operation ended the year flat due to the COVID shutdowns in April and May.

Revenues for the Animal Safety segment rose 15% for the quarter and 14% for the full year. Excluding contributions from recent acquisitions, organic sales increased 10% in the fourth quarter and 12% for the year.

The increase in Animal Safety revenues for the year was led by a 35% increase in sales of veterinary instruments, particularly our line of detectable needles and syringes as we gain new business and took market share from a competitor.

Our insecticides line increased 32% with higher insect pressure driving demand and market share gains into the farm and home channels. Our animal care line of products increased 16%, led by strength and small animal supplements and our biologics line, which includes our higher margin vaccine to prevent botulism B in horses. Cleaner and disinfectant sales sold through the segment increased 6% while our line of rodent control products was down 4% for the year due to difficult comparisons from a strong fiscal 2021. Genomics revenues reported through our Animal Safety segment were up 11% in fiscal 2022, partially aided by the December acquisition of Genetic Veterinary Sciences, located in Spokane, Washington.

Sales through our Australia lab were also strong with large volume increases in beef and sheep testing. On a worldwide basis, genomics revenues increased 11%. Gross margins were 46.4% for the quarter, compared to 45.3% last year, as we benefited from mix shifts to higher margin products in both segments.

For the year, gross margins were 46.1% compared to 45.9% in the prior year. I'm really proud of the team for this improvement in gross margin since we were negatively impacted throughout much of fiscal 2022 by significantly increased freight costs and container shipments, inflationary raw material cost increases, and labor shortages. The commercial team has done an outstanding job of offsetting this with price increases where possible. We did start to see a decline in container shipment costs in the fourth quarter, although costs are still much higher than 12 to 18 months ago.

Overall, operating expenses were up 26% for the fourth quarter and 31% for the full year. However, both of these percentages include our spending on professional fees related to the 3M transaction. Excluding these costs, operating expenses rose 10% for the quarter, in line with the revenue increase, and rose 14% for the full year. Sales and marketing expense increased 4% in the fourth quarter and was up 15% for the year, with higher spending on travel and other customer-facing activities as COVID restrictions eased in fiscal 2022.

Excluding the 3M-related professional fees, general and administrative expenses rose 25% for the quarter and 12% for the full year, primarily due to new head count, increases in bonus accruals due to company performance, higher stock-based compensation expenses, and incremental expenses including non-cash amortization from recent acquisitions. Fourth quarter expense was also affected by some timing issues as prior year fourth quarter expense was unusually low, benefiting from economic tax credits recorded late in fiscal 2021 in our Lincoln, Nebraska genomics facility.

Research and development expenses decreased 6% in the quarter as the prior year included significant spend on development costs for our Next Gen AccuPoint reader. For the full-year, R&D expense increased 5% to \$17 million. Excluding the costs related to the 3M transaction, adjusted operating income for the fourth quarter at \$23.7 million was up 17% over the prior-year quarter due to the previously discussed increase in gross margin. As a percent of revenues, adjusted operating income was 16.9% compared to 15.9% in the prior year. And for the full year, our adjusted operating income was \$84.2 million or 16% of sales, compared to \$74.2 million or 15.8% of sales in the prior year. Our 2022 adjusted operating income represented a 14% increase over fiscal 2021.

I want to point out that this quarter we began to report our results on an EBITDA and adjusted EBITDA basis as well. These non-GAAP metrics, we believe, will help investors better understand our operating results going forward. As unusual charges such as our deal expenses and non-cash amortization charges relating to intangible assets acquired in the transaction are added back to our GAAP earnings. These numbers should be used for

informational purposes only. They supplement but do not replace our GAAP but do not replace our GAAP reporting. For the year, adjusted EBITDA was \$115.4 million versus \$104.2 million last year, an 11% increase.

Other income for the year was \$1.6 million compared to \$1.1 million in the prior year. We recorded a \$484,000 increase in interest income in the fourth quarter as interest rates are rising. Our effective tax rate for the fourth quarter was 20.9%. This compares to 21.8% recorded in last year's fourth quarter. For the full year, the effective rate increased from 19.1% in fiscal 2021 to 19.8% this year, due to lower benefit from stock option activity in the second half of the year. We also recorded a \$600,000 charge in our first quarter relating to a tax increase in the UK.

We generated \$67.6 million in cash from operations for the full year versus \$81 million in the prior fiscal year and invested about \$25 million in property and equipment and another \$38 million in acquisitions during the year.

Inventory balances increased \$21.6 million in fiscal 2022. Part of the increase is due to raw material cost increases, and some of this was timing as we received a number of large shipments late in the year, but we also made a business decision to increase inventory levels in certain areas of the business in fiscal 2022 to combat supply chain issues and ensure we had product available for our customers. Our accounts receivable balances rose by 9% over levels at last year-end, in line with our revenue increase. Our day sales outstanding improved to 62 days at May 31 compared to 66 days a year ago.

This has been a busy year for the Neogen team, as the organization has integrated recent acquisitions and also spent considerable time preparing for the integration of the 3M Food Safety business. Despite this, it's evident from our results that the team still made it a priority to focus on our current business, minimizing the effects of inflation, supply chain and ongoing COVID issues around the world.

Going into fiscal 2023, we're preparing to welcome the 3M Food Safety team to Neogen soon, and I'm excited to see what our combined company will achieve in the next year.

Now, I'll turn it back over to John.

John E. Adent

President, Chief Executive Officer & Director, Neogen Corp.

Thanks, Steve. This fiscal year was a year growth for Neogen in many ways. The acquisitions of GVS, Delf and CAPInnoVet to the announcement of the 3M Food Safety merger, which will strengthen our position in helping our customers protect the world's food supply. We recognize that there are still challenges in front of us, particularly with inflation as we've seen some customers begin to tighten their belts in continued supply chain issues but I am confident in our team and our business.

We also have so much to look forward to as we go through our first quarter and our new fiscal year. The biggest, of course, is the closing of the 3M Food Safety transaction. Once the deal closes, we'll be one combined company, well-positioned to accelerate growth and drive significant additional value for our customers, employees and shareholders.

Together, we will have an enhanced geographic footprint and product range, allowing us to better serve our global customer base. We're excited to begin building our new company together post close. We are fully entrenched in the integration planning process and we've taken major steps toward the closing of this transaction, which we anticipate will occur in the third quarter of the 2022 calendar year.

Over the last quarter, we shared employment details of the 3M Food Safety employees, beginning the process of welcoming the team in Neogen. The conveying team members are in the process of reviewing employment information and completing the process. We're very pleased with the collaboration of the teams and the spirit of partnership as we become one company. Our Neogen and 3M teams kicked off the next stage of transition planning with a meeting at 3M's Minnesota headquarters in late June, where we finalized workflows and details for day one.

Together, we discussed our progress and mapped out each company's responsibility during the transition period. We identified any gaps that we worked together to identify the solutions. Following the sessions in Saint Paul with our US and Canadian teams, we extended the day one readiness sessions to include the international teams.

Overall, our teams are feeling very confident and ready to become one company. On July 6, we also announced that we acquired Thai-Neo Biotech, our longtime distributor of food safety products in Bangkok, Thailand. Through this acquisition, we established a physical office in the region, which will aid us as we integrate our businesses there. This acquisition will be an asset to the combined company post-close and we're excited to work together to expand our genomic and aquaculture solutions in the region.

We also ceremonially broke ground last week on the \$70 million expansion of our Food Safety manufacturing facility here in Lansing, Michigan. This 170,000 square foot expansion is centered around the construction of a three-story dedicated manufacturing building for our food safety products, which will eventually include our Petrifilm indicator organism testing line of products. We're pleased to increase our employee footprint in Lansing, adding up to another 100 jobs in the area when fully operational. This project is a big step forward for Neogen. And together with 3M's Food Safety transaction, we will enter the new era of Neogen's growth.

I want to once again reiterate how incredibly proud I am of the team for all that they've accomplished this year. To achieve record results, while working on the integration plans of the 3M Food Safety business is truly incredible performance. It's been a tremendous undertaking for the entire team. But they've step up and taken on the challenge. We continue to work toward closing sometime in the third quarter of the 2022 calendar year and we look forward to the talented 3M team joining Neogen post close.

Now, I'll open the call for any questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. We will now begin the question-and-answer session. [Operator Instructions] The first question comes from Andrew Brackmann with William Blair. Please go ahead.

Andrew Brackmann

Analyst, William Blair & Co. LLC

Q

Hi, guys. Good morning. Thanks for taking the questions. Glad to be back on these calls with you. Maybe to start here, just as we sort of near deal closing on the 3M side, can you just sort of talk to us about how your expectations for that pro forma model may have changed since you initially gave them late last year?

I know that you've got a little bit of a higher interest rate on the debt versus what was initially sort of talked about inflation. That's certainly been different than we expected. So, just curious how you're thinking about revenue growth, synergies and earnings accretion now that we have a little bit more information? Thanks.

Steven James Quinlan

Chief Financial Officer, Neogen Corp.

A

Yeah. Thanks. Thanks, Andrew. Good question. The bulk of the assumptions remain intact. I mean, we're very comfortable with our growth assumptions, our synergy assumptions. As you said, interest rates have moved up in the period between the signing and today. And we are going to be paying more in interest than we had assumed in the December pro formas, our results have come in a little stronger than I think we're in those initial models, and I know that 3M's numbers have remained pretty static. There were some Russian revenues. Inflation has hit it on the COGS line. And then, obviously, currency has impacted both companies. But the basic thesis is still intact. John, do you have anything on that?

John E. Adent

President, Chief Executive Officer & Director, Neogen Corp.

A

Yeah. No. I think Steve's exactly right. From a deal standpoint, I think we feel really comfortable where we are at the pro formas. There was some minor changes, as Steve just went through, but the more we get into it, the more excited we are and the more opportunities we're actually seeing from a synergy capture standpoint. So, we're just ready to get this thing done and get going.

Andrew Brackmann

Analyst, William Blair & Co. LLC

Q

Okay. Appreciate that color. And then, maybe you caught up some of the integration activities that are underway. Thanks for that color. But, I guess, just broadly speaking, John, can you just sort of talk maybe about some of the moves you've made on the Neogen sort of stand-alone business over the last couple of years to really bolster the middle part of that organization and how that might help you as you sort of bring in 3M to the [indiscernible] (00:25:04)?

John E. Adent

President, Chief Executive Officer & Director, Neogen Corp.

A

Yeah, Andrew. Absolutely. I think you can see the impact of kind of the way that we restructured – I shouldn't say restructure, the way that we continue to modify the business as we grew. And to be able to grow the core business, while you have a team preparing for an integration the size of 3M and the performance we had, I

thought was outstanding because everybody had an excuse of why they didn't have to perform this quarter and nobody did. Everybody just went out and ran the business.

So, this started five years ago, when we started developing our personnel development plans for all of our employees and beginning our succession planning, and identifying key individuals and then doing all of our leadership training. So, we have really been working hard to build strength throughout the organization whether that's at the supervisor level, the manager level, the director or the vice president level. And when we identify high growth people, we trained them, promoted them. Just this year, we had 80 internal promotions, which I'm really proud of at Neogen.

So we continue to fill our own pipeline with our employees. And what that allows us to do is to take on some complex challenges and continue to grow, right? So, it's not just 3M we've been working on. We integrated GVS, we integrated Delf, we integrated CAPInnoVet, and we continue to grow the core business. So, I'm really, really proud of the team and that's the strength of the group we have, the dedication they have and their hard work and it's just been, it's been really fun to watch as a leader.

Andrew Brackmann

Analyst, William Blair & Co. LLC

Q

Okay. Thanks. Kudos to you on that. And then lastly, Steve, I think you mentioned some belt tightening from some testing customers out there. Can you just maybe be a little bit more specific on what you're seeing there and maybe some of the things that are in more of your control to maybe overcome some of those headwinds? Thanks.

John E. Adent

President, Chief Executive Officer & Director, Neogen Corp.

A

Yeah, I can talk about [indiscernible] (00:27:10). So, yeah, we're seeing, I mean, with an inflationary environment and every customer's costs are going up and even our costs going up to the customers, we've seen that they are being thoughtful in the amount of testing they're doing. And the way you overcome that is you grow the business, you find new customers or you sell more to the customers you have. And I think one of the things I pointed out was the success in our Neogen Analytics platform. I was very, very pleased that when subscription renewals came up this year, we had a 95% retention rate, which just shows customers really value this.

And when they're on Neogen Analytics, they buy 38% more products than what they were purchasing before they put in Neogen Analytics because we're showing them the value of the products throughout their whole food safety system. So, it's continuing to find ways to grow. And I think this is what gives me confidence and gets me excited, right? COVID hits, Neogen grows. Supply chain hits, Neogen grows. Inflation hits, Neogen grows. That's who we are and that's what we do. And so, that's why we're excited to continue along this path and keep growing the organization.

Andrew Brackmann

Analyst, William Blair & Co. LLC

Q

Great. Thanks, guys.

John E. Adent

President, Chief Executive Officer & Director, Neogen Corp.

A

Thanks, Andrew.

Operator: [Operator Instructions] Our next question comes from David Westenberg with Piper Sandler.

Q

Hi. This is [ph] John (00:28:50) on for David. Thanks for taking the questions. First of all, I just want to follow up on Andrew's questions. We have gotten some questions from investors looking for an update on 3M, and your revenue growth projections. Could you just talk about how the revenue growth numbers are – how do you think they're tracking given the guidance that was given when the deal was announced and how we should think about the organic growth in ag compared with Neogen's existing Food Safety business, which I believe saw about 3% organic growth in the quarter? Thank you.

John E. Adent

President, Chief Executive Officer & Director, Neogen Corp.

A

Yeah. Thanks [ph] John (00:29:33). I think the – I thought the organic growth number was 5.2%. We'll look that up. And that had – on a constant currency basis, so it's 5.2%. So, yeah. So I think, what we're seeing is that, based on the pro forma, they're really coming in right where they thought they were going to come in. And that was one of the theses, [ph] John, (00:29:58) of doing this deal was that, we grow faster than they do and we think that we can accelerate their growth with our leadership. And that's not a knock on them. It's just that it is a small business within a large company. And you saw today, food safety was buried in health care, which 3M wasn't interested in. And now you see it, even the bigger unit is now a business they're divesting.

So with that, we think there's tremendous opportunities for us to take that very highly skilled team, dedicated team, and give them some direction and some support and resources to help them meet the goals that they have. And that's to grow that business on a double-digit basis, which is kind of our historical standard.

Q

Great. Thank you. Could you also give any comment on the product in China and India and progress towards, getting towards cash flow positive post-acquisitions in those geographies? Thank you.

John E. Adent

President, Chief Executive Officer & Director, Neogen Corp.

A

[ph] John (00:31:08), can you repeat – yeah. Can you repeat that, [ph] John (00:31:10)? Product?

Q

Yeah. Yeah. Product mix in China and India?

John E. Adent

President, Chief Executive Officer & Director, Neogen Corp.

A

Oh, okay, okay, okay. Yeah. You said product bag, I was thinking, maybe we launched a new product. Yeah. So product mix, what we're seeing is when African Swine Fever is really moving, we saw our product mix shift towards cleaners and disinfectants, and we saw a decrease in genomics. It's kind of a flip flop now because it's starting to normalize. We saw an increase in genomics. And I thought that group did exceptionally well considering that we were pretty much locked out of the lab for two months because of the lockdowns.

So, we're really pleased with how that team has performed and we see a tremendous backlog there and I think opportunity to continue to grow this year as that if we can get the COVID lockdowns to end in that business to normalize. Steve, can talk to you a little bit about the financial side of those businesses.

Steven James Quinlan

Chief Financial Officer, Neogen Corp.

A

Yeah. And as John said, I mean, we got hit with the COVID lockdowns in China, but that business has been performing very well for us for the last couple of years. And we are north of breakeven significantly in China. India, I think one of the milestones we had with India this year that we're proud of is they broke even for the full year and have had some very strong growth and budgeted for further growth next year. So, both businesses – we're very excited about their future.

John E. Adent

President, Chief Executive Officer & Director, Neogen Corp.

A

Yeah. And as you know, once you get past the breakeven, then we really like the accelerated growth because you've done the hard work, you've put in the infrastructure, and those were early markets for us. And India is still in the early kind of early phase growth. And I view China as the same way. So, we see those as significant markets for us in the future.

Q

Great. Thank you. And lastly, before I jump back into the queue, can you talk about your views on bolt-on acquisitions going forward? Like, are you thinking more along the lines of lower multiple companies and things along the lines of distribution maybe cleaners and disinfectants or maybe something more aggressive?

John E. Adent

President, Chief Executive Officer & Director, Neogen Corp.

A

I think we have – so, the answer is yes, yes and yes. But really, what we're looking at is continuing to grow in the spaces that we know we are very strong and where the markets have growing markets and we understand the technology. So, if you think about what we did this year, right, so we did a cleaner and disinfectant with Delf. We did canine genomics with GVS. We did canine anti-parasitics of CAPInnoVet. So, you see we like the canine space, right, because it grows faster than the production animal space. It's a little – it's got – we consider more the emotional side of the business versus the economic economical side of the business. So, we like that space.

We're going to continue to drive kind of those pillars in those areas. And like we talked about, the business is diverse enough that the European team did the Delf acquisition. They did the integration that are fantastic job. The genomics team did the GVS. They did it on their own. They did a fantastic job. And so, while Food Safety and Corporate was working very, very heavily on 3M during that time period, we were able to execute those others and integrated very well because we had other pieces of the business that were more isolated. So we're going to continue that.

And I think with our new size and scale, generally, we're going to look for – we will continue to bolt on strategy where it makes sense, but we also will have the capability to do bigger deals. And that's something that we'll continue to do and we'll continue to do and we feel that we've got the right team and we've got a track record of execution and we're going to keep doing it.



Great. Thank you.

Operator: Thank you. This concludes our question-and-answer session. I would now like to turn the conference back over to Mr. John Adent for any closing remarks.

John E. Adent

President, Chief Executive Officer & Director, Neogen Corp.

Yeah. Thank you, Ronan. Again, I'd just like to reiterate, I'm really proud of the team because great performance for the quarter, great performance for the year. It really did three times the work what we normally do as preparing for the 3M Food Safety acquisition. And it shows that we can continue to execute on large deals and stay focused on our core business which is the key. We're focused intensely on our customers.

It's an exciting time in Neogen. We're celebrating our 40th year of operation this year. And really, the things that we're doing are going to consider to sort of – they're really going to allow us and set us up for 40 more years of consecutive growth. So, we're excited, we're ready to go and we thank you for your support.

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

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