30-Mar-2023

Neogen Corp. (NEOG)

Q3 2023 Earnings Call

CORPORATE PARTICIPANTS

Bill Waelke
Vice President-Investor Relations & Treasury, Neogen Corp.

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

David H. Naemura
Chief Financial Officer, Neogen Corp.

OTHER PARTICIPANTS

Brandon Vazquez
Analyst, William Blair & Co. LLC

David Westenberg
Analyst, Piper Sandler & Co.

MANAGEMENT DISCUSSION SECTION

Operator: Good day and welcome to the Neogen Third Quarter Fiscal Year 2023 Earnings Conference 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'd now like to turn the conference over to Bill Waelke, Head of Investor Relations. Please go ahead.

Bill Waelke

Vice President-Investor Relations & Treasury, Neogen Corp.

Thank you for joining us this morning for the discussion of the results of the third quarter of our 2023 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 third 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 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.

Good morning, everyone, and welcome to our earnings call covering the third quarter of our fiscal 2023 year. We're pleased to be with you today to provide an update on our performance and the ongoing integration of the Food Safety business we acquired from 3M last year.

On our last earnings call, I mentioned the trend we were seeing in some of our macro-related softenings in our end markets. This continued in the third quarter with many food producers seeing lower unit volumes with inflationary pressure and consumers being a key driver.

On the Animal Safety side of our business, the macro weakening was driven primarily by difficult comparison against extremely strong market growth in Q3 of the last fiscal year and some destocking by our channel partners. Despite the macro headwinds, we delivered core growth in both legacy segments, aided by our diversification across product categories.

In the recently added Food Safety business, key product lines continue to be negatively impacted by the backlog situation at our transition manufacturing partner. After an unanticipated holiday shutdown in December, we've seen intermittent improvement, but not to sustain progress we expected. To resolve this, we've elevated it to the highest levels of our contract manufacturer where we've seen meaningful engagement to address the root causes and alleviate certain process constraints. We're working with them to provide additional input into key production decisions and believe we have a path to successful resolution over the coming quarters.

As we've discussed before, the former 3M business is a high quality franchise with leading diagnostic technology for high replenishment environments that in many cases is specked into their quality control processes. We understand the critical roles our products play and are working closely with our customers to fulfill as much of their demand as possible, while we work to return supply to its more normal levels.

With respect to the ongoing combination of the businesses, we continue to make good progress on the integration activities. Commercially, our teams have been combined and cross-trained and are navigating the tighter market conditions focused on a prioritized set of opportunities globally. We've seen significant growth in the sales pipeline over the last few months and are excited about the potential ahead. Additionally, we opened our new distribution center in Mount Sterling, Kentucky, which will be our primary point of distribution in the US for the combined business, allowing us to serve our customers more efficiently from a single location.

We're also continuing to make progress scaling up the infrastructure we need to fully accommodate the former 3M business within Neogen. The new facility we're building in Lansing ultimately will house the production currently handled by our transition manufacturing partner. Construction's progressing on track. The foundation's been poured, sections of the frame are starting to go up, and the customized equipment has already been ordered. Additionally, our ERP implementation for the combined business is well underway with completion on schedule for the end of calendar 2023.

And finally, we continue to add critical personnel in the quarter with additions to our back-office and related support teams, which play a key role in enabling our exit from the transition services agreements currently in place. Clearly, there's more work to do. But we remain very excited by the opportunities, the addition of such a high quality business, and the contributions we've seen from our new employees who are now part of our One Neogen team.

With that, 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 listening this morning. Jumping right into the results, our second quarter revenues were $218 million, an increase of 70% compared to the same quarter a year ago. Core growth, which excludes the impact of both foreign currency and acquisitions, was 4% for the quarter. Acquisitions added 68%, while foreign currency amounted to 2% headwind compared to the prior year.

At the segment level, revenues in our Food Safety segment were $152 million in the quarter, an increase of 141% compared to the prior year, including core growth of 6%. Sales in our Culture Media & Other category grew high teens on a core basis, benefiting from a large order from a vaccine manufacturer. Within Bacterial & General Sanitation, our microbial testing products had solid growth, partially offset by lower sales of general sanitation testing products due in part to supply challenges.

Rounding out our larger Food Safety product categories, Natural Toxins, Allergens, & Drug Residues had a slight core revenue decline due largely to the discontinuation of our product line of drug testing kits for international dairy markets.

Quarterly revenues in the Animal Safety segment were $67 million, up 2% over last year's third quarter on both a core and reported basis as the foreign currency impact was modest. Sales of our biosecurity products had the strongest core growth, led by insect control share gains in the animal protein market. This growth was partially offset by a decline in Vet Instruments & Disposables, which faced a difficult compare against a new business win last year and lower volumes of antibiotics and vitamin injectables in the Animal Care & Other category.

Worldwide genomics revenue was up high-single digits on a core basis, with growth in the global beef markets offsetting weakness in China from COVID-related lab closures that continued in the quarter. As John mentioned earlier, the performance of the Food Safety business we acquired from 3M was impacted primarily by lower-than-expected production levels at our transition manufacturing partner. We had anticipated seeing some progress in reducing the backlog during the quarter, but the unexpected shutdown of production over the holiday prevented this from happening. This business is not included in our definition of core growth. But on a pro forma basis, it experienced a core revenue decline of 2% in the quarter. Including the former 3M business, core growth for Neogen as a whole would have been low single-digits on a pro forma basis.

Gross margin in the third quarter was 49.5%, representing an increase of 470 basis points from 44.8% in the same quarter a year ago, with the increase primarily driven by the addition of higher margin business in the 3M Food Safety transaction. Adjusted EBITDA was $51 million, representing growth of 106% from the prior year quarter, driven by the merger with the former 3M Food Safety business. Adjusted EBITDA margin was 23.5%, a year-over-year increase of 410 basis points. The increase was driven by the gross margin expansion, which more than offset costs added in the quarter to accommodate the larger scale of the combined business.

Adjusted net income was $27 million for the quarter, with adjusted earnings per share of $0.12 compared to $16 million and $0.15 respectively in the prior year period. The increase in adjusted net income was driven by higher adjusted EBITDA, more than offsetting the increase in interest expense, while adjusted earnings per share was impacted by the increase in weighted average shares outstanding from the Food Safety transaction.

In February, we completed the strategic bolt-on acquisition of Corvium, the SaaS provider behind our Neogen Analytics platform accelerating our organic data strategy. Although we can't voice control timing of when certain strategically attractive bolt-ons become available, our capital allocation priorities are funding integration CapEx and deleveraging.

Following our debt pay down in December, we ended Q3 with gross debt of $900 million, 67% of which is at a fixed rate and a total cash position of $183 million. In addition to the Corvium acquisition, our cash position at the end of the quarter was impacted by integration CapEx and the timing of two interest payments in the quarter.

As we look to the remainder of fiscal year 2023, we believe our previously communicated view of second half core growth in the mid single-digit range with an adjusted EBITDA margin in the mid-20s range remains intact. We expect to see sequential margin improvement in the fourth quarter, but believe our second half results will be pushed towards the lower end of those ranges as a result of the production loss during the December shutdown at our transition manufacturing partner. With respect to adjusted net income, we continue to anticipate a full year effective tax rate of around 20%. For the fourth quarter, interest expense is expected to be approximately $18 million.

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. We're excited about the progress we've made today, combining Neogen and the former 3M Food Safety business into a clear pure play leader in the food security market, with a product portfolio that's over 95% consumables.

While our market is not immune to economic slowdowns, it has historically been resilient and we believe has a number of attractive, long-term secular tailwinds, such as heightened pathogen awareness, the growing prevalence of food allergies, and increasingly health conscious consumers who want to know what's in their food. It's also a market in which we believe the aggregation of structured data and use of analytics are of particular importance. The effective use of data can allow auditing bodies in food companies to identify risks and improve safety and testing processes to ultimately minimize outbreaks.

We are implementing our data strategy through Neogen Analytics, a software platform that capitalizes on our many touchpoints across the food supply chain and provides users with actionable data. Neogen Analytics can provide insights from industry best practices, predictive modeling, trend analysis with real-time monitoring and simplified compliance processes.

The acquisition of Corvium last month will allow us to accelerate the strategy and further embed Neogen Analytics in the market as customers are increasingly looking to leverage data. We've seen strong growth on the platform and are planning to build on this leading presence by launching additional software modules and digital mapping capabilities in the near future.

We've also begun working with one of the leading providers of Generative AI search on potential opportunities to drive monetization for Neogen Analytics capabilities. I appreciate the efforts and commitment of our team members around the world. We have numerous integration work streams underway across the organization and I couldn't be happier to have them working with us as we build the future of our One Neogen.

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

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Today's first question comes from Brandon Vazquez with William Blair. Please go ahead.

Brandon Vazquez
Analyst, William Blair & Co. LLC

Q

Hi. Good morning, everyone. Thanks for taking the question. I first – I'll ask maybe a couple near-term ones and then maybe one or two kind of longer-term ones. But kind of in the near term, curious, your thoughts around – it sounds like there was a holiday shutdown at one of the manufacturing facilities, but then you had issued guidance in January. So, it sounds like maybe you would have been past that already. So, curious if that was – can you talk about if was that the reason that things came in a little weaker than expected? Was there something post that January guidance that had developed differently?

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

A

Brandon, it was a little bit of both. We didn't realize, we looked in January, the full impact of that December shutdown, because our expectation was that we had a plan in place that the contract manufacturer's going to run and that's why it was unanticipated to us that they shut it down. And so, we didn't really realize that full impact till we got a little bit later into that January period. It was a major disappointment. We were making progress and it really set us back. And that's why you're seeing, I was talking about we cannot – we're not meeting our customers' demand right now really on the 3M side of the – or the 3M business that we bought because the manufacturer just can't make enough for us at this point.

Now, I will tell you, Brandon, we've had three meetings with myself and their CEO over the last 30 days. We've got a new structure in place. We have, I think, the attention now of the group that this is no longer a business buried within 3M. This is a business we have to focus on and I think we're starting to see that focus. But it's going to take us a while to get through it. I have seen, though, that we're directionally better, but we've been in that position before. So, I want to see this stay directionally better and not go the other way. So, we're optimistic that this is transitory and give us momentum going into next year. But they need to prove to me also that they can follow what they say they're going to do and get that stuff done.

Brandon Vazquez
Analyst, William Blair & Co. LLC

Q

Okay. Got it. And then as you think – maybe this is a question a little bit more for Dave. But you have that mid-single digits core growth maybe towards the lower end of that now. What is implied? My understanding is that Neogen as a core legacy business, what's implied there in the 3M business? I mean, it's a sizable revenue number, right? Can that sequentially improve as we go into the fiscal fourth quarter?

David H. Naemura
Chief Financial Officer, Neogen Corp.

A

Yeah. Hey, Brandon. I think I'd say we're not anticipating too much improvement, maybe a little bit better. Obviously, there's some more selling days. But from a growth perspective, we would anticipate it probably doing a little bit better, but more kind of that mid-single digit on underlying legacy business and the acquired business not showing significant improvement sequentially, I think, is what's contemplated there.

Brandon Vazquez
Analyst, William Blair & Co. LLC

Q

Okay. And then maybe going a little further out, just one on kind of a long-term guidance. It was encouraging you guys still feel comfortable with the fiscal 2025 guidance despite kind of maybe the backlog in this quarter being a little worse than expected. Can you – David, now we're all going to start looking at our fiscal 2024 models and I'll appreciate that I'm – you're not going to give a number now. But how do we think of the recovery through fiscal 2024? Is this a linear event? Is this kind of like a hockey stick as we get to the back half of 2024 and into 2025? Any commentary you can give us to kind of level set?

David H. Naemura
Chief Financial Officer, Neogen Corp.

A

Yeah, look, I think more to come, obviously, when we get to year-end, Brandon. But underlying the performance we saw, look, we participate in these Food Safety markets and you saw the legacy business grow solid mid-single digits on a core basis in these markets, and that's where we also participate with acquired businesses as well. So, we think that as we get through these near-term challenges that we've got in underlying good market even with some production volume headwinds in some of our customer base. So, it's really that underlying market that we think supports, kind of as you're implying, the bridge from where we see 2023 coming in to 2025. The shape and pace of that, I think, is what John's referring to. He said we need to see some momentum coming out of 2023 into 2024, and that'll give us a little better frame on that. So, I'd say more to come on that when we get to a quarter or so from now.

Brandon Vazquez
Analyst, William Blair & Co. LLC

Q

Okay. Great. Thank you very much.

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

A

Thanks, Brandon.

Operator: Thank you. And our next question today comes from David Westenberg with Piper Sandler. Please go ahead.

David Westenberg
Analyst, Piper Sandler & Co.

Q

Hi, guys. Thank you for taking the questions. So, I do want to talk about kind of the debt and free cash flow in the quarter. I think you kind of gave a little bit here when you said it was just kind of maybe timing of interest payments. And I think you said some additional CapEx, obviously, this is for Dave. So, I mean, I noticed it does look like debt – net debt went higher in the quarter. So, can you maybe explain some of the things that maybe in addition to that and then how we should think about the EBITDA, EBITDA – sorry, the debt to EBITDA, the leverage ratio – the debt to leverage ratio as we go further in the year just given that, interest rates are on the rise. And man, I cannot ask a question today.

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

A

That's all right. That's all right, David. It's all right Dave. So I know -we know what you mean.

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

Hey Dave. So, a couple of thoughts. Yeah, leverage is a little bit elevated on a net basis here where we would have typically expected to see it flat come down a little bit. I would say that aside from funding our integration CapEx, deleveraging remains a top priority for us. But we can't always predict the timing of everything. We are a serial bolt-on acquirer. We've changed our focus now to deleveraging. But the Corvium deal that we completed in the quarter, the timing was such that it needed to be transacted and that's a very strategic deal for us for I think, the – all the reasons that John outlined in his prepared remarks. So, obviously cash utilization of that of $24-ish million was a headwind to net debt in the quarter.

In addition, you noted the timing of interest payments, which I think had about an extra $12 million kind of increase to what you would think of as a normal underlying quarterly cash outflows. And then our integration CapEx, which is elevated and will be elevated, not the same quarter-on-quarter, [ph] it's not to (00:20:42) be linear, but as we work through more the factory side, but also the system side over the next couple of years. And that's always been a known item. So, we knew that would be a headwind to free cash conversion over time and it is. But underlying all of that is a pretty strong historically free cash flow conversion business that we think we can make even more robust in the future with some opportunities of the working capital side of the balance sheet. So, that's what's going on and our priorities remain the same. Having said that, like in many cases, you might see that bounce around a little bit quarter-to-quarter. But our objective remains the same.

David Westenberg
Analyst, Piper Sandler & Co.
Q

Got you. I appreciate you being able to parse out my terrible phrasing. So, secondly, just on the Petrifilm and the manufacturing that on – the – maybe I should say the failure to fully get your, all your orders in from your supplier here. Can you talk about how you're prioritizing the products for your competitors, and I've been – sorry, for your customers. And kind of what I'm getting at with this is, keeping this product in the hands of your customers to make sure that, maybe they're not dual sourcing or they're sticking with you through the process. Can you maybe talk about some of the discussions you're having with the customers to make sure they feel that you're on, as the middleman, that you're there – that they're taken care of. And I guess some of this is out of control because you're just – you're in between the two.

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

Yeah. So...

David Westenberg
Analyst, Piper Sandler & Co.
Q

You're doing your best.

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

What we're doing, David, is to your point, on the SKUs where we're having issues, because we don't have it on every issue. We don't have an on every SKU and Petrifilm or even in sample handling. It's on the SKUs that are of issue, we end up allocating and we end up working with customers to make sure that we're trying to do the best, but that we're just not meeting their demand. We're not getting the manufacturing support we need. And because of that, because it's a consumable, they have to go and do something else. So, by definition, we're losing that sale and that share of market at that moment because they're having to go, because they have to continue to test.

Now, we know it's a very resilient business and we know that our solution is better. So, we're very confident that we're going to be able to get those customers back. But that, as I say, or we lose that we don't get back. It's not like they can just say, well, we'll wait until you're ready and you guys have enough. And then this, excess buildup of demand comes back and later in future sales. So, that's why we're working so hard at it. That's why it's so frustrating to me and the team, and that's why we're so focused on communications with the customers to make sure that the products that we have, even though it's not enough, we're trying to work with them in a way on an allocation basis to easily make those the least painful. But we recognize this as extremely painful for our customers. I've talked to our customers almost every week about this. I know they're frustrated. They know we're frustrated. We're seeing some incremental progress, but we've got a lot more work to do.

David Westenberg
Analyst, Piper Sandler & Co.

Q

Got it. And in terms of – is there any other maybe technical issues or invoicing issues with Petrifilm? I mean, like is the experience now just kind of the stock out and everything else from the transition is going pretty fine right now and you are – you did feel comfortable that that frustration is isolated to really the product at this point?

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

A

Yeah. David, the biggest issue is manufacturing. It's not logistics. It's not – there's nothing in the order to cash cycle. We don't see any issues with billing or receiving or anything like that. It's purely a manufacturing issue. And Brandon kind of brought this up about what 2024 looks like. Look, during fiscal year 2024, some of those lines will be coming over to us. Just Petrifilm won't, but sample handling, portions of that will be coming over and even the pathogen side. So, we will feel a lot more comfortable and we're working very hard to continue to move some of those products into our manufacturing and into our hands even at an accelerated rate than we earlier anticipated because we know we can get that fixed. So, those are some of the things we're doing.

David Westenberg
Analyst, Piper Sandler & Co.

Q

Got it. No, really helpful. And then maybe just along those lines, can you talk about some of maybe the integration and some of the cost savings. I don't know if you're ready to quantify some of the integration of distribution and maybe faster-than-expected manufacturing on what this could look like in terms of timing and speed. I know you did reiterate the long-term guidance. So, I mean, I'm guessing – I don't know if this is – maybe you can even talk about maybe linear versus exponential. I mean what are we talking about in terms of some of that cost savings in the near term or integration savings?

David H. Naemura
Chief Financial Officer, Neogen Corp.

A

Yeah. David, in the near term, I think what you've heard us talk about is having to build up some costs, so we'll have some duplicate costs where we're paying our partners and their various forms of transition services while we're building up the cost to come off. And one of the things, I think, we will do here at a point in the future, I think, when we have a little better fidelity into the timing of that is to help characterize some of that a little bit and what it means kind of over time. But I'm not prepared to do that now. But we do think that we'll be able to gain efficiencies once we're through building up the cost of transition services and being able to bring these products into our existing processes, we think there is efficiency over time with that.

David Westenberg

Analyst, Piper Sandler & Co.

Q

Got you. And then, maybe I'll just end with one of the maybe fun long-term positive kind of story. Can you talk about how you – the data from – truly from farm-to-table strategy, I mean, I think, traditionally, it's been really hard to get these companies to understand the importance of really the food chain, so to speak, or going down the food chain. What does that strategy look like to finally get that dream that we've talked about for years for that full down the farm-to-table stream?

John E. Adent

President, Chief Executive Officer & Director, Neogen Corp.

A

Sure. Thanks, David. Yeah. I mean, look, the first is what we're doing now, right, starting with our Analytics platform. And what that platform does is it allows us to work with our key customers in the food manufacturing to help them modernize and digitize their environmental plant mapping policies and procedures. All right. So, it is a suite of products around environmental plant mapping, around benchmarking, around predictive analytics, and we continue to develop new suites for that offering to be able to show customers the things that we can do to help them connect. Now, the more we add in the ecosystem, right, the easier we are to then connect the ecosystem. We already have our blockchain solution and we can take one of our customers, you buy their stake in a supermarket and if you take a sample and send it to me, I can tell you every place that animal went, everything it ate, every time it was sick, every medicine it was given, all the way from birth to your dinner plate.

Again, Neogen tends to lead the industry. So, while we have that capability and we see that, we don't see a huge demand for that, because right now the question is who's going to pay for it? The rancher says, well, that should be the processor. The processor says, well, that should be the grocer. The grocer says, well, that should be the consumer. But at some point, we know that we have the ability to tie that all together that nobody else has. So, we're continuing to drive the solutions forward, because we know this will happen. This happened just like with our genomics business. When we bought the genomics business over a decade ago, everybody said, we don't need genomics. I can look at that animal and tell you how it's going to grow. And now, you've seen the whole industry has changed in the decade. You're going to see that too on this side of the business.

So, we're really excited about our Corvium acquisition that allow us to not only stay in front, but 10x be in front of our competitors around this part of the marketplace that, that really is just a big white space. And we're excited. We've got so much data within the organization, we're not even sure yet of the value streams to provide, which is why we're working with one of the largest generative AI companies to work with us to figure out what do we have or what can we make actionable. So, those are things that are really exciting about what's coming.

David Westenberg

Analyst, Piper Sandler & Co.

Q

Thank you, guys, and thank you for putting up with my inability to ask the question this morning.

John E. Adent

President, Chief Executive Officer & Director, Neogen Corp.

A

Yeah. No problem. We know you've got other things on your mind, so we hope that goes well.

David Westenberg

Analyst, Piper Sandler & Co.

Q

Thank you.

Operator: Thank you. And our next question is a follow-up from Brandon Vazquez with William Blair. Please go ahead.

Brandon Vazquez
Analyst, William Blair & Co. LLC

Q

Hey, thanks for taking the follow-up. Just one last quick one on Petrifilm. Are you guys able to quantify the backlog of Petrifilm sales in the quarter? And then second one there is just, you said things had improved in January and February in terms of output. Is that, we're basically done with March now. Is that true of March as well, just so we can get an understanding of the cadence going forward? Thanks.

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

A

Yeah. So, I think the backlog number was...

David H. Naemura
Chief Financial Officer, Neogen Corp.

A

It's about $7 million, I think, which is about flat, then Brandon, the challenges are a little bit less the absolute backlog number, but the fact that we're still in this allocation situation. So, as John pointed out, we don't lose a customer, but we lose some sales. I think production – absolute production was lower in December than January and February, we saw an uptick which was good, I think, we, again, have seen some improvement to the backlog number here in the March timeframe. But again, we've seen periods like that. We've seen periods like that before, I think John alluded to that and it's about the sustainability here. So, at the end of the day, we've got to work through getting continuity of supply for this high replenishment product. That's what's really going to do it. So, the key is to get the backlog down to, a sub-million dollar type number on a sustained basis, which is a better sign that we're fulfilling at the rate we need to for the requirements of this product category.

Brandon Vazquez
Analyst, William Blair & Co. LLC

Q

Got it. Super helpful. Thanks a lot.

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

A

Thank you.

David H. Naemura
Chief Financial Officer, Neogen Corp.

A

Thank you.

Operator: All right. Ladies and gentlemen, this concludes our question-and-answer session. I'd like to turn the conference back over to the management team for any final remarks.

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

Thank you all. Really appreciate you joining us this morning. And again, as we work through this, we're really excited about the future of this business. So, we look forward to speaking to you all again at our fourth quarter and end of the year this summer.

Operator: Thank you, sir. This concludes today's conference call. We thank you all for attending today's presentation. You may now disconnect your lines and have a wonderful day.