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Neogen Corp. (NEOG)

Business Update Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning, and thank you to everyone for joining on short notice to discuss NEOGEN and 3M's announcement of a Definitive Agreement for NEOGEN combined with 3M's Food Safety business via Reverse Morris Trust transaction, creating a global industry leader.

Joining the call today from the NEOGEN is John Adent, CEO; and Steve Quinlan, CFO. From 3M, we have Mojdeh Poul, Group President of 3M's Health Care business, under which 3M's food safety business falls.

John will start the call by providing an overview of the transaction and the strategic rationale. Then Mojdeh will expand on the rationale for 3M and its shareholders and give an overview of the 3M Food Safety business before turning the call back to John. Additionally, Steve Quinlan will provide an overview of the financial benefits of the combination.

I would like to remind our participants that some of the statements we'll be making today will be forward-looking. These matters involve risks and uncertainties that could cause material differences in our results from those projected in these statements. Information concerning risk factors that could cause actual results to differ materially can be found in the forward-looking statements section in the press release we issued this morning. I also would like to inform parties that this call is being recorded.

I would now like to turn the call over to John Adent, NEOGEN's Chief Executive Officer.

John E. Adent

President, Chief Executive Officer & Director, Neogen Corp.

Thank you. Good morning, everyone, and thank you for joining us to discuss this transformational combination. We're all very excited to be here today to share why it's such a compelling opportunity to bring these two

businesses together. At NEOGEN, our number one goal is to protect the food supply of the world. We get up every day to make sure that the people and animals that the world cares about are healthy and safe.

At a time where we're seeing robust growth trends and sustainability, food security and a heightened focus on supply chain integrity, we're right there in the [indiscernible] (01:52), ensuring the global food supply remains safe and robust. This combination will help us do an even better job to capitalize on these long-term tailwinds, creating a global leader in food security and establishing a platform from which we are well positioned to accelerate growth and drive significant additional value for customers, employees, and shareholders.

We're bringing together two incredible businesses: NEOGEN, a leading pure play food and animal safety business with established genomics, analytics, and blockchain capabilities; and 3M Food Safety, a leader in food safety solutions with a globally recognized indicator testing brand, Petrifilm, a diversified customer base, and a highly attractive financial profile.

We've admired 3M's food safety business for some time. Our customers are craving one solution from the farm gate to the dinner plate, and they want a company that can help provide the best solution from a food security perspective. The combined company will have an expanded product offering to enhance customer solutions, increase resources to better serve global customers, shared innovation expertise and customer focus, and a strong financial profile. The transaction also augments NEOGEN's financial profile with expected one-year revenue of \$1 billion, 10% top line growth, and 30% EBITDA margins in the first full year post closing. More on this shortly.

Beyond today's announcement, we're also looking ahead to our earnings next week, and I did want to share that we're excited about the momentum of our existing business. You will see we continue to deliver strong growth with margins in line with our fiscal Q1 results. We look forward to discussing these results in further detail during next week's earnings call.

NEOGEN and 3M Food Safety serve large, attractive, and growing categories. The food safety market is valued between \$18 billion and \$25 billion, with a long-term growth rate of 6% to 8%. The animal safety market is valued between \$50 billion and \$60 billion, with a long-term growth rate between 4% and 6%. The genomics market is valued at roughly \$1 billion, with a long-term growth rate between 10% to 15%.

Significant tailwinds are expected to support this growth across categories. The tailwinds are driven by a variety of factors, including but not limited to, increasingly health-conscious consumers, increasing prevalence of food allergies, COVID crisis impact on food security concerns, rising incomes in emerging markets, technology innovation leading to broader adoption of testing across supply chain, and the increasing incidents of pathogen contamination.

Beyond these factors, increasing supply chain complexities creates further opportunities for NEOGEN to serve customers from behind the farm gate to the dinner plate. Against this backdrop, we believe the combined company will have a significant opportunity to achieve long-term success.

Now, turning to slide 6, the transaction will be structured as a tax-free Reverse Morris Trust transaction, whereby NEOGEN will combine 3M's Food Safety business with its existing operations, resulting in a combined enterprise value of approximately \$9.4 billion (sic) [\$9.3 billion].

The implied enterprise value for 3M Food Safety is approximately \$5.3 billion based on NEOGEN's closing price of \$40.12 on December 13, 2021 and comprised of 4.3 billion in newly issued NEOGEN shares and \$1 billion of new debt, which will be incurred by 3M's Food Safety business.

3M Food Safety's implied enterprise value represents an implied multiple of 32 times and 27 times our estimate for current year 2022 estimated EBITDA pre and post \$30 million of run rate synergies, respectively.

At the time of closing, NEOGEN and 3M's existing shareholders own approximately 49.9% and 50.1%, respectively, of the combined entity. Estimated pro forma NEOGEN net leverage at closing is expected to be approximately 2.5 times, and strong free cash flow generation will enable rapid delevering from there while we still provide the financial flexibility to invest for growth.

NEOGEN will remain headquartered in Lansing, Michigan, with a strong local presence of over 13 countries globally with sales that reach over 140 countries. I will continue to lead the combined company, along with executives and personnel from both NEOGEN and 3M Food Safety. Jim Borel, the current NEOGEN Board Chair, will continue in his role; and our new board will be comprised of eight current NEOGEN directors and two 3M designated directors.

We expect the transaction to close by the end of the third calendar quarter of 2022, subject to NEOGEN shareholder approval, regulatory approvals, and customary closing conditions. We expect run rate synergies of \$15 million of EBITDA contribution from growth synergies through the addition of \$40 million of revenue and \$15 million of cost synergies. We will share further details later in today's presentation.

Now, turning to slide 7. Today's announcement is the result of a comprehensive evaluation of strategic opportunities to ensure alignment with our strategic and financial priorities. Most importantly, 3M Food Safety aligns with our mission of being a leading company in the development and marketing of solutions for food security. But a mission is nothing without a vision for our collective future. Both companies are aligned on the vision of continuing to play a key role in enhancing the security, quality, and quantity of the global food supply for the rapidly growing world population.

The combination aligns with our strategic criteria, which includes: enhances our product offering and customer base, advances our R&D, technological, and commercial capabilities, and expands our international presence. Financially, this combination aligns with our priorities to enhance our revenue growth potential, improve our EBITDA margin profile due to product mix and cost savings, shift our portfolio towards higher growth, lower volatility markets, and create accretive value for NEOGEN shareholders.

Importantly, we expect the transaction to be accretive to our shareholders on a cash EPS basis, and the implied valuation multiples for 3M Food Safety pre- and post-synergies are at a discount to NEOGEN's current trading multiple. And finally, we will maintain a strong balance sheet which allows the combined company to continue to invest for future growth.

Now, I'd like to turn the call over to Mojdeh Poul, Group President of 3M's Health Care business to talk about the merits of the combination from 3M's perspective and provide an overview of 3M's Food Safety business. Mojdeh?

Mojdeh Poul

Group President-Health Care, 3M Co.

Thank you, John. It is a pleasure to join the NEOGEN team this morning to discuss this exciting announcement. For us at 3M, this transaction achieves four important objectives. First, it expands food safety product offerings for

our customers. The combined company will have a significantly expanded product offering in food safety, particularly in indicated testing and pathogen detection areas which complement NEOGEN's existing microbiology lines.

Second, it evolves our strategy. As we focus our business and drive growth, this transaction is a step forward to unlock value and help build a global innovator in food and animal safety. Third, it further focuses our health care business. 3M's health care business improves every life by advancing health care solutions through connecting people insights and science and technology to make better health possible.

Finally, as you read in the press release and will hear more about today, this transaction is tax efficient and clearly benefits 3M, NEOGEN and shareholders. To add more about the strategic rationale, I want to share a few drivers behind our decision. Since the beginning of the COVID-19 pandemic, we have seen the increased global focus on sustainability and hygiene and supply chain solutions, which have amplified the long-term tailwinds in the food safety sector. We share with NEOGEN a deep commitment to quality, innovation, and customer satisfaction. We expect the combined company will benefit from an enhanced geographic footprint, complementary, and innovative product offerings and digitization capabilities, and deeper operational focus and agility to meet customer needs. It would also have tailored capital allocation decisions and strategic and financial flexibility to pursue organic and inorganic opportunities.

And for 3M's food safety employees, we expect this transaction to create growth and career development opportunities as part of an innovative leader in a high-growth industry. Relative to the transaction, and not only does it unlock a premium multiple for our food safety business in a tax-efficient structure, but it also provides 3M shareholders with the opportunity to participate in the significant long-term growth potential of a pure-play food and animal safety innovator. As part of the transaction, 3M will receive consideration valued at approximately \$1 billion, which 3M will use towards its dividend and paying down debt.

Let me briefly provide some background on the 3M Food Safety business. Please turn to slide 9. 3M Food Safety business is a leading provider of food safety testing solutions. The business offers a broad range of food safety testing solutions, which are complementary to NEOGEN's portfolio.

Many segments of the food and beverage industry are regulated and adhere to strict internal quality standards. Food processors and manufacturers must meet regulatory performance standards and provide safe food to consumers. Consumers seek food safety testing solutions that deliver rapid, confident, and reliable results.

3M Food Safety products support multiple industries within food and beverage, helping producers to prevent and protect consumers from foodborne illnesses. Over the years, we have built a broad global presence with products used in more than 60 countries and a diversified revenue base of more than 100,000 end user customers, and the financial profile of this business is highly attractive, with compounded annual growth rate of approximately 10% since 2000.

Turning to the next slide, here on this slide, you can see examples of some of the products and solutions that we offer our customers. Today, this business generates significant revenue across multiple product offerings, with more than 94% of total revenue attributed to recurring sales of consumable products.

Our team's deep technical engagement and local support facilitates long-term relationships with customers. At the same time, our hygiene monitoring and pathogen detection product categories benefit from corresponding consumables.

Before I turn the call back to John, I would like to take a moment to thank our team at 3M, who provide innovative and reliable solutions that help customers deliver quality products. We are committed to ensure a successful transition for our employees, customers, and our stakeholders.

With that, let me turn the call back over to John.

John E. Adent

President, Chief Executive Officer & Director, Neogen Corp.

Thank you, Mojdeh. We recognize that there are a number of attendees on the call who may not be familiar with NEOGEN, so I'll provide a brief overview of our business. NEOGEN is a leading pure-play food security company with comprehensive product offerings spanning food safety, animal safety and genomics, which are coupled with deep customer relationships across the globe.

NEOGEN's roots began in food safety in 1982, evolved to include animal safety in 1993, and more recently evolved into including genomics. Today, we're headquartered in Lansing, Michigan, in the United States and have over 2,000 employees worldwide. We pride ourselves on our deep relationships with a diverse group of leading food and animal safety customers, which include some of the world's largest food manufacturers and producers.

We're a growth company. Over the last 22 years, we've delivered a compounded annual revenue growth rate of approximately 15%, consistently generating high-single-digit organic growth, including over 9% in fiscal year 2021, and a track record of inorganic growth through acquisitions.

We benefit from global growth trends with strong international exposure of roughly 40% of sales. We also have a strong focus on the innovation and new product development, which is evident in the roughly 60 successful products that we've developed over the last 18 months.

Turning now to our product offerings that span food safety, animal safety and genomics, which all help customers solve challenges around global food security. Our food safety products help protect the world's food supply by reaching all segments of the food, beverage and feed industries. Specifically, our food safety solutions include rapid diagnostics for the detection of unintended substances, sanitation verification tools, and innovative pathogen tests.

Our animal safety products ensure the well-being of livestock and pets. We develop solutions for the animal protein, animal performance and companion animal segments. We also offer veterinary instruments and supplies cleaners and disinfectants for farm and veterinary settings, and insecticides and rodenticides to limit the spread of disease. Our genomics products help improve food security with solutions that allow protein producers to make educated breeding decisions. Our solutions improve efficiency of herds, help breed associations verify parentage, and enable food safety professionals to identify bacterial strains associated with disease outbreaks.

To give you a visual of just how NEOGEN's products fit within the entire food security chain from farm to plate, we've highlighted in this slide where each of our product offerings fits within our customers. Whether it's our food safety products being used by farms and agricultural customers or animal safety products supporting customers with biosecurity and hygiene, our genomic solution supporting our customers' processing, testing and compliance, we are truly excited to be able to cover the entire food security chain. The combination with 3M Food Safety with NEOGEN means we'll be able to meet more customers' needs along this entire chain.

Now to slide 14, as noted earlier, NEOGEN and 3M's Food Safety is a significant and compelling combination, and here's why. The combination of complementary food safety businesses creates a leading global pure-play

food security company with an estimated \$1 billion in revenue for the first year after closing. The product solutions position NEOGEN to be a go-to solutions provider for a combined global clientele. Together, we will serve a complementary and diverse blue chip customer base.

We will have the innovation engine to create breakthrough products in existing areas and can capitalize on emerging genomics and analytics opportunities. We'll be able to optimize the value of our combined global infrastructure through our detailed integration plan that we'll be activating today. Together, we'll have a strong financial profile with expected double-digit sales growth and approximately 30% EBITDA margins. Finally, we expect to have the opportunity to accelerate growth and enhance margins due to the synergistic nature of the combination.

Now, on to slide 15. Bringing together NEOGEN and 3M's food safety business positions the combined company favorably to address global food security challenges. We'll have a pure-play focus on food security, which we estimate will generate approximately \$1 billion in revenue in the first 12 months after closing. The combined company will have a presence in over 140 countries, which will increase the number of customers we're able to reach and how we serve our customers around the world. And finally, together, we'll have a deep bench of R&D experts that span the food security spectrum. This will help us address the future of global food security challenges.

Now, slide 16. This transaction improves the combined companies weighting towards a stable growth food safety business with positions in attractive categories, changing our revenue mix by increasing food safety to approximately 70% of our revenue, up from approximately 45% of revenue today. Notably, the combined company will generate around 25% of sales through Indicator Testing or Petrifilm, which has strong margins through highly recurring consumable revenue, 25% through bacterial and sanitation, including ATP and other food and animal safety products, with 10% of revenue coming from high growth genomics, which we expect to increase over time.

Slide 17, as mentioned earlier, we have deep, longstanding relationships with a diverse group of blue chip customers across the world. This is true of NEOGEN as well as 3M Food Safety. Our customer base primarily includes food producers, processors and contract labs, but also includes retailers and household personal care companies, as examples. We believe the combined company will better serve customers, allow them to produce more efficiently and effectively, and help them address global food safety challenges.

Now, turning to slide 18, at NEOGEN, we're looking to the future and excited to work with our customers in this new era of food security. Together, NEOGEN and 3M Food Safety will have a robust innovation engine, bringing together highly experienced teams with deep expertise and robust new product pipelines.

Both companies are industry pioneers with over 35 years of food safety experience. That's a combination of more than 70 years of industry-defining innovation. With over 160 scientists and engineers on staff, our combined team will have deep knowledge of microbiology, genomics, biochemistry, immunodiagnostics and instruments.

We'll also have an expanded patent portfolio with approximately 460 granted patents and approximately 150 pending. Both NEOGEN and 3M's Food Safety, respectively, have a track record of new product innovations which contribute to growth. Together, we have around 55 products in development and slated launch over the next two years. We plan to utilize NEOGEN and 3M Food Safety R&D teams' knowledge to drive future innovation to further address the unmet needs of our customers.

A global presence will help the combined company continue to meet existing as well as new customer needs, while also positioning the combined company to meet long-term growth. The combined company will have a bolstered global presence, with operations, design, manufacturing, service and sales expanding the Americas, Europe, and Asia-Pacific.

Our combined company will create a world-class manufacturing and IT footprint through expected capital investments of approximately \$150 million to \$175 million over a three-year period. On the manufacturing front, 3M Food Safety's manufacturing facility in Bridgend, UK will be incorporated into the NEOGEN network at close and a new additional facility will be added to the NEOGEN network over time. We will be sharing further details with the investors as the integration process continues.

Turning to slide 20, we know the success and growth of the combined company hinges on a seamless integration, which is why we have a detailed integration plan in place. An integration team will be responsible for managing and coordinating integration efforts, and we will include representatives from both NEOGEN and 3M. Our near-term focus will be a phase one plan, which will drive day one readiness pre-signing up until close. Following close, we will move to phase two, which focuses on implementation and execution of the integration.

As a global company, we're always considering the intricate and sometimes unexpected ways our colleagues around the world are affected by our everyday choices. With this in mind, our focus throughout the integration will be to minimize disruption as we welcome our new colleagues. As part of the integration, we're expecting \$150 million to \$175 million of net capital expenditures over three years, which will build a world-class manufacturing and IT footprint, setting up NEOGEN agent for long-term profitable growth.

With that, I'd like to turn the call over to Steve Quinlan, NEOGEN's CFO, to address the financial merits of the transaction.

Steven James Quinlan

Chief Financial Officer & Vice President, Neogen Corp.

Thanks, John, and good morning, everyone. Reiterating John's earlier comments, the combined company will have a stronger financial profile. The combined company is expected to generate \$1 billion in revenue, and about \$300 million of EBITDA, representing about 30% EBITDA margins, significantly enhancing NEOGEN's current EBITDA margins.

At the time of close, the combined company is expected to have net leverage of about 2.5 times and be well capitalized with strong cash flow generation from the transaction that will allow us to rapidly delever while continuing to invest for growth.

Going forward, we expect the combined company to continue its strong growth track record and generate healthy top line growth. Our growth expectations are in line with NEOGEN and 3M Food Safety historical growth. We expect category tailwinds, as well as business specific initiatives to support these growth expectations.

Now, I'll pass it back to John.

John E. Adent

President, Chief Executive Officer & Director, Neogen Corp.

Thank you, Steve. We're excited about the combined growth platform and the ability to accelerate growth across the combined company. Our comprehensive combined offering of food safety solutions can be delivered to an

aggregate global customer base and enhance value through depth and completeness of our portfolio. We expect growth and cost synergies to result from the combination, and are targeting \$30 million in EBITDA contribution by the end of year three following the close of the transaction.

Cross-selling opportunities, example selling 3M's Food Safety Petrifilm to NEOGEN's existing customers or selling NEOGEN's allergen products to 3M's Food Safety existing customers, and heightened commercial focus and allocation across the business are expected to drive growth synergies, resulting in \$15 million in EBITDA contribution from \$40 million of additional revenue by the end of year three post-transaction close.

Now, to wrap up, today's announcement is a combination of complementary food safety leaders that will create a pure-play food security company. NEOGEN will be at the forefront of the new era in food security with the resources, capabilities, and solutions to be a global food security provider. The heightened global focus on food security, sustainability, and supply chain solutions around the world presents exciting opportunities for us. We'll be equipped with a compelling product offering and footprint to address global food security challenges, serve a diverse customer base, and lead the future of data-driven food and animal security.

To reiterate, the combined company is expected to deliver 10% revenue growth with 30% EBITDA margins, and represents a compelling value creation opportunity for shareholders through synergies and advanced financial metrics.

This combination will harness the power of both businesses' technology capabilities to improve food and animal security everywhere, from breeding healthy animals to sanitizing the factory floor, and onto the rest of the supply chain.

This combination will harness the power of both businesses' technological capabilities to improve food and animal security everywhere, from breeding healthy animals, to sanitizing the factory floor and onto the rest of the supply chain.

Customers know that they can count on NEOGEN whenever they have food security issues or to prevent an issue, and we'll have more products and solutions to help them meet even more of the needs and challenges they face as a part of the changing landscape in food security.

I am extremely proud of our entire team for their ongoing commitment and motivation, which has put us in such a strong position for an exciting future full of opportunities for them, our customers, and our shareholders. This transaction is a strong validation of just how hard our teams have worked to set us up for success.

And I'm also delighted to welcome 3M's Food Safety employees to our NEOGEN team. Bringing their expertise onboard puts us in an even better position to deliver quality, safety, and value to our customers around the world.

Thank you all for joining today's discussion. We're excited for what's to come. Now, we'll open it up for Q&A.

QUESTION AND ANSWER SECTION

Operator: Yes. Thank you. At this time, we will begin the question-and-answer session. [Operator Instructions] At this time, we will pause momentarily to assemble the roster.

John E. Adent

President, Chief Executive Officer & Director, Neogen Corp.

And before we get started with the Q&A, it was brought to my attention that I misspoke on slide 6. The implied enterprise value for the combined company is approximately \$9.3 billion not \$9.4 billion. So, I wanted to clarify that before we started the Q&A.

QUESTION AND ANSWER SECTION

Operator: Thank you, thank you. And actually, the first question today comes from Joe Ritchie from Goldman Sachs.

Joe Ritchie

Analyst, Goldman Sachs & Co. LLC

Q

Thanks. Good morning, everyone, and congratulations. And so, maybe just obviously clearly focus with 3M here. On the health care side of the business, you have several other businesses that sit in there whether it's health information systems, medical solutions, drug delivery. I guess my question is really, are there any business overlap with this drug delivery business that – with the food safety business that you are divesting? Any significant overlap with those other businesses?

Mojdeh Poul

Group President-Health Care, 3M Co.

A

Hi, Joe. This is Mojdeh. No, there is no overlap.

Joe Ritchie

Analyst, Goldman Sachs & Co. LLC

Q

Okay. Great. And then maybe the follow-on question is, look, as you – clearly, you think that there's a lot of strategic and financial merit to divesting this business, is this the start of potential portfolio reshaping across the rest of the health care?

Mojdeh Poul

Group President-Health Care, 3M Co.

A

Yeah. So, Joe, as you know, as a company, we are very focused on portfolio management. It's a priority for us and it's an ongoing process at all times. So, we have been very focused on the health care business group side on portfolio management as well, really investing in growth opportunities that are priority for us where we can create differentiated value, and at the same time, be able to get a sharper capital allocation. So, we are very focused on the spaces like advanced wound care, health care IT, as well as biopharma filtration. So – and most of

the organic and inorganic investments that we've done, over the last several years, have been in that direction. So...

Joe Ritchie

Analyst, Goldman Sachs & Co. LLC



Okay. Great. Thank you.

Operator: Thank you. And the next question comes from Julian Mitchell with Barclays.

Julian Mitchell

Analyst, Barclays Investment Bank



Hi. Good morning. So, I suppose, firstly, I just wanted to try and understand kind of what's really changing at NEOGEN as a result of this. If I look at the share price performance relative to the S&P or the Life Sciences Index, it's been fairly poor in recent years. So, I'm trying to understand what does this deal do exactly.

Yes, there's synergies of \$30 million, but \$1 billion of extra debt at a 3% interest rate sort of neutralizes that. Yes, there's a bit more scale but I think the combined market share in food safety is still in the low-single digits. So, it remains an extremely competitive arena to try and win in food safety. And I wasn't sure if there are any broader strategic changes being envisaged at NEOGEN or it's just putting together two similar companies and sort of hoping that, together, they're a bit stronger.

John E. Adent

President, Chief Executive Officer & Director, Neogen Corp.



Yeah. Thanks, Julian. Well, first, the plan is not to hope, and we've got a very good detailed integration plan on how we're going to put these businesses together. And the strategic rationale, we think is really compelling. These are two complementary businesses that have been pioneers in this industry for a long time, and the food safety market is a growing dynamic market with long-term trends.

I know you don't know much about NEOGEN, we have a track record of 22 years of consecutive growth quarter-on-quarter, which we deliver a high-value growth to our customers and to our shareholders. That's been a double-digit organic growth, and then we supplement that with strategic acquisitions.

This is going to allow us to combine a portfolio where both of the existing organizations had gaps. And really allow us to provide a much stronger solution to our customer base. You combine that with our analytics platform, and it's really going to allow our customers to understand exactly what's going on within all of their facilities regarding testing, cleaning, retesting, and certification. And we think that's a very, very strong value-add compared to everybody else in the industry.

So, we're really excited about this, it increases our reach and frequency across the globe. We have now more direct sales people reaching customers than at any time before. We have a much stronger portfolio reaching those customers. And we're able to provide much more innovative solutions as a combined organization.

Julian Mitchell

Analyst, Barclays Investment Bank



That's helpful. Thank you. And then maybe just a question for both you, John and Mojdeh, I suppose. On the 3M Food Safety business specifically, I realize as a combined entity, you have this sort of double-digit revenue growth aspiration. But if I look at the 3M Food Safety business, I think it's more like a sort of mid-single-digit organic

CAGR in the last three to four years. So, just wondered maybe help us understand why perhaps that 3M Food Safety business has under grown the market and what will be done to sort of reinvigorate that growth to push it up to the double-digit aspiration.

John E. Adent

President, Chief Executive Officer & Director, Neogen Corp.

A

Yeah. Julian, I'll start with it. I think that if you look at NEOGEN's track record of double-digit growth over the last 20-some years, we really feel that working with our colleagues at 3M Food Safety and really having a sharpened focus on making sure that we're meeting the solutions and needs of our customers is we're going to be like accelerate that top-line growth. We're going to have sales reps in more areas, so we're going to increase the frequency we call on customers with a greater portfolio they have within that frequency and a greater touch. The cultures of the companies are very similar. We're both strongly innovative. We're focused on customer solutions, and the teams are dedicated to service. And we think that's going to be really, really compelling and be a great strategic fit because of the way the businesses culturally fit together and the way we focus on customer success.

Mojdeh Poul

Group President-Health Care, 3M Co.

A

And I like to add also that over the long term, clearly the business has had a proven track record of delivering growth about 10% when you go back to 2000. So over the long term, truly proven performance and clearly accretive to the health care business group.

Julian Mitchell

Analyst, Barclays Investment Bank

Q

Great. Thank you.

Operator: Thank you. And the next question comes from Steve Tusa with JPMorgan.

C. Stephen Tusa

Analyst, JPMorgan Securities LLC

Q

Hi. Thanks for the call and congratulations on the deal. Mojdeh, you mentioned the dividend that the \$1 billion will go to funding the dividend. That was a pretty specific comment. So just curious what the messaging was there.

Mojdeh Poul

Group President-Health Care, 3M Co.

A

Yes. It will go to dividend and also paying down debt. And as you know, Steve, our priority for capital allocation has always been in the order of growth and then followed by dividend and then M&A and then share repurchase. So it's consistent with that.

C. Stephen Tusa

Analyst, JPMorgan Securities LLC

Q

And thanks. And then, John, I'm not familiar with your company. But have you guys been doing deals over the last several years? How is this kind of fit into your experience in acquisitions?

John E. Adent

President, Chief Executive Officer & Director, Neogen Corp.

A

Yeah, it has. I think we've done, Steve, what, 55 in the last...

Steven James Quinlan

Chief Financial Officer & Vice President, Neogen Corp.

[indiscernible] (35:22)

A

John E. Adent

President, Chief Executive Officer & Director, Neogen Corp.

...10 or 15 years .So, Steve, this is definitely part of our growth strategy. I mean, we've always – that's how we get to that 15% CAR over 22 years is 10% organic and then we supplement with acquisitions. So it's a great story. I think you ought to follow us, so you're welcome to come on board.

A

C. Stephen Tusa

Analyst, JPMorgan Securities LLC

Only 55 acquisitions. I must have missed that out on the wire somehow. I'll get to my Google now to check those out. Thanks a lot. Appreciate the time.

Q

John E. Adent

President, Chief Executive Officer & Director, Neogen Corp.

All right. Thank you.

A

Operator: Thank you. [Operator Instructions] And the next question comes from Jeff Sprague with Vertical Research.

Jeffrey Todd Sprague

Analyst, Vertical Research Partners LLC

Thanks. Good morning, everyone. I'm just wondering as it relates to 3M's PFAS and other environmental liabilities, are there any ties back to that in this transaction or is this completely free and clear of any legacy issues at 3M?

Q

Bruce Jermeland

Senior Vice President-Investor Relations, 3M Co.

Yeah, Jeff. This is Bruce. That litigation has nothing to do with the food safety business, so totally separate.

A

Jeffrey Todd Sprague

Analyst, Vertical Research Partners LLC

Great. And can we just get a little color on how the deal actually came about, who initiated contact here and perhaps how long you've been engaged with each other?

Q

John E. Adent

President, Chief Executive Officer & Director, Neogen Corp.

Sure. I can do that. I mean, it's interesting. We've known each other in the industry for a long time and as groups have communicated together for almost a decade. So it's really hard to say who's who initiated because we know each other. We really respected each other's businesses.

A

And I think what was really interesting is both organizations thought, wow, this is a really complementary – two sets of complementary businesses that would be great together. And we've talked about a lot of different ways to

execute that over a period of time, and we're just really excited that we were able to put it together. Mojdeh, do you want to...

Mojdeh Poul

Group President-Health Care, 3M Co.

Yeah.

A

John E. Adent

President, Chief Executive Officer & Director, Neogen Corp.

...add to that?

A

Mojdeh Poul

Group President-Health Care, 3M Co.

So, we have many things in common in terms of the commitment that we have to quality, innovation and customer satisfaction. And, as John said earlier, we both have been a proven industry leader in this space in our different markets and aspects. So, there was a lot that made sense.

I mean, it's a transaction that not only brings value to the shareholders, but also the most important to our customers as well as the employees. So, there is a lot that makes sense about this opportunity and transaction.

Jeffrey Todd Sprague

Analyst, Vertical Research Partners LLC

Great. And just maybe just one final small housekeeping question. Food safety is reported in the 3M revenue disaggregation. Is that 100% of what we're talking about or are there other kind of pluses and minuses relative to that number, Mojdeh or Bruce, that we see in your filings?

Q

Bruce Jermeland

Senior Vice President-Investor Relations, 3M Co.

Yeah, Jeff. What you see in our filings, year-to-date, the businesses will return \$80 million of revenue. That's the business that 3M is merging together with NEOGEN.

A

Jeffrey Todd Sprague

Analyst, Vertical Research Partners LLC

Right. Thank you. Good luck.

Q

John E. Adent

President, Chief Executive Officer & Director, Neogen Corp.

Thank you.

A

Operator: Thank you. And that was the last question and it also concludes the conference call. So, I'd like to thank you for attending today's presentation. You may now disconnect your lines.

John E. Adent

President, Chief Executive Officer & Director, Neogen Corp.

Thank you, everyone.

Mojdeh Poul

Group President-Health Care, 3M Co.

Thank you, everyone.

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