

24-Mar-2022

# Neogen Corp. (NEOG)

Q3 2022 Earnings Call

## CORPORATE PARTICIPANTS

**John E. Adent**

*President, Chief Executive Officer & Director, Neogen Corp.*

**Steven James Quinlan**

*Chief Financial Officer, Neogen Corp.*

---

## OTHER PARTICIPANTS

**Christine Rains**

*Analyst, William Blair & Co. LLC*

**David Westenberg**

*Analyst, Piper Sandler & Co.*

---

## MANAGEMENT DISCUSSION SECTION

**Operator:** Good day, and welcome to the Neogen Corporation Third Quarter Fiscal Year 2022 Earnings 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 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 will be reporting on the second quarter (sic) [third quarter] (00:00:46) of our 2022 fiscal year, which ended on February 28. As usual, some of the statements made here today 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 in 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 who are joining us by live telephone conference, I also welcome those of you joining us online. Following our prepared comments this morning, we will address questions from participants who have joined this live conference.

I'm joined this morning by Steve Quinlan, our Chief Financial Officer, who'll provide some additional details on our results for the quarter. In our press release this morning, we announced continued revenue growth with an increase of 10% over the prior year. It's been an exciting quarter for us, as we made a number of announcements that really showcase our vision for the future and growth mindset under which we're operating.

In our second quarter call, I talked at length about our agreement to combine 3M's Food Safety business with our existing operations. But I want to mention it again. As we continue our mission to be the leading company in the development and marketing of solutions for food and animal safety. The combined company will be well-positioned to become the global innovator in food security and I'm pleased with the progress we've made since the announcement. I also, once again, want to state how excited I am to welcome the 3M Food Safety employees to the Neogen team upon closing, and thank our team here at Neogen for their hard work and dedication both throughout this process and over the years.

On top of this, we announced two new acquisitions this quarter. On December 1, we announced our acquisition of United Kingdom-based manufacturer and supplier of animal hygiene and industrial cleaning products, Delf Limited (sic) [Delf (UK) Limited] (00:02:28). Delf's more than 40 years of experience in UK's dairy hygiene market, will be a huge benefit to us, as we look to expand our offerings of performance dairy chemicals. These products will enhance our product portfolio, synergistically complementing our Quat-Chem disinfectant and cleaning offerings.

On December 9, we announced our acquisition of Genetic Veterinary Sciences, Inc., a companion animal genetic testing company based in Spokane, Washington. As we've noted in previous calls, we feel the companion animal market is one of our relatively untapped markets, especially with the growth in pet parenting around the world in the last five years. We can now expand and diversify our portfolio of genetic tests available for companion animals.

We're pleased with our integration process of each of these locations and feel optimistic about how they will continue to contribute to our business in the future. Neogen has a proven ability to grow new acquisitions. For example, the StandGuard insecticide product line has grown significantly since we acquired in August of 2020.

Additionally, our Megazyme acquisition continues to grow and gain acceptance both domestically and internationally, recording growth of approximately 16% in the first year since we acquired the food diagnostic company. The products have had a particularly strong showing this quarter, as we completed integration with our US sales and marketing teams, and have been detailing the benefits to our customers.

We are confident that we'll be able to do the same with these new acquisitions as well, dedicating the proper resources to make them not only grow, but flourish within the marketplace. In this quarter, our products continue to perform well in a market with solid increases in our allergen testing kits and equipment sales of our Soleris next-generation spoilage detection system. I'm very pleased to see that both our core product lines and our next-generation detection equipment are performing well in the marketplace.

Another highlight comes from our sales of veterinary instruments, where we see in another quarter of exceptional growth. This signal to us that we're continuing to gain market share from our competitors by offering high quality and reliable instruments, and that these tools are becoming more trusted and recognizable in the marketplace.

However, this quarter was full of challenges for us that impacted our performance. COVID-19 and Omicron hit us particularly hard in December and January, sidelining many of our workers. Our first priority always is maintaining the health and safety of our employees. So we took all the necessary steps to make sure our workplaces around the world were safe and that we were slowing the spread of the virus. Because of the resurgence, we saw a significant increase in overhead costs, and Steve will get into the specifics here in a minute. But we saw healthcare costs increase. We also had increased labor spend as we brought in temporary workers to fill in for those with COVID.

In addition, we continued to manage the rising raw material costs as supply chains were disrupted, price increases were implemented and freight costs continue to rise. Thankfully, we've seen case numbers decreasing significantly, and we're already feeling the effects on the members of our team and our business. We've constantly had to adapt throughout the COVID pandemic, and we continue to demonstrate the resiliency of our business as we've managed through these challenging times.

Now, I'll turn it over to Steve for some insights into the numbers for the quarter. Steve?

---

## Steven James Quinlan

*Chief Financial Officer, Neogen Corp.*

Well, thanks, John. As John indicated, it was a busy quarter with two closed acquisitions, our announced merger with 3M's Food Safety business and a resurgence of COVID-19 and its variants. John has spoken to the why of the acquisitions we closed during the quarter, as well as the 3M merger. The 3M combination in particular will clearly be a transformative deal for the company, and we've continued to incur significant costs in the quarter on it. I'll go into the details in a few minutes, but I need to point out that these costs will continue through the remainder of our fiscal year and into the deal closing in the first half of the next fiscal year, as there's still a lot of work to be done to finalize the combination, and also to continue the preparation for the integration of the businesses. I'll now get into some of the details on our third quarter results.

Sales for the quarter were \$128.2 million, a 10% increase over the prior-year quarter. Revenues for our Food Safety segment increased 7% to \$62.8 million, while revenues in our Animal Safety segment were \$65.5 million, a 12% increase. Our Food Safety revenues were positively impacted by the December 2020 acquisition of Megazyme, our Ireland-based producer of food quality and nutritional analysis products; and our December 2021 acquisition of Delf (UK) Limited, a manufacturer of cleaners.

On an organic basis, sales for the Food Safety segment increased 4%, negatively impacted by the Omicron variant of COVID-19 in a number of our markets worldwide. Animal Safety organic sales rose 9%, with additional sales from our acquisition of CAPInnoVet in September of 2021 and Genetic Veterinary Sciences in December of 2021.

On a constant currency basis, revenues were approximately \$900,000 lower in the third quarter than the same period last year, as a number of currencies and countries in which we operate in were weaker versus the US dollar compared to last year's third quarter.

During the first half of the year, we saw improved economic conditions in many of our markets, with returns to pre-COVID levels of activity. However, as John noted, in December and January, the Omicron variant affected a number of our manufacturing locations, as well as numerous markets in which we operate, further disrupting the supply chain and impacting both our operating costs and our revenues. COVID pressure started easing in February and markets across the world began to open again.

Having said that, a number of areas in China, including where our operation is located, have gone into lockdown as that country attempts to stop the spread of the virus there. On the Food Safety side, allergen sales increased 12% and sales of our AccuPoint environmental sanitation product line, which includes a recently launched next-generation reader, rose 16%. Our innovative listeria right now test system continued its growth with a 13% increase over the prior year.

Sales of Neogen Culture Media products increased 11% in the third quarter compared to the prior year. This was primarily driven by strength in the UK as our new workflow One Broth One Plate continues to penetrate the

commercial lab market. Sales of our dairy drug residue kits declined 55%. As I've mentioned on previous calls, we ended our exclusive agreement with our European distributor and have discontinued some sales of non-core and low-margin products in this product line.

Within the Animal Safety segment, our veterinary instruments line, which includes needles and syringes, once again had a strong quarter with 43% growth, resulting in large part from recently won private label business. Our line of animal care products increased 12% on strength in the equine and companion animal markets with strong growth in vitamin injectable and antibiotic business.

In the third quarter, insect control products increased 11% on strong demand in the farm and home channels from several large distributors. Rodent control product sales declined 5% in the third quarter due to a difficult comparison to the prior year in which we had very strong sales due to rodent outbreaks in the US.

Genomic services, reported through the Animal Safety segment, increased 11%. Growth resulted primarily from our Australia operation and increased volume in beef cattle and sheep testing, resulting from improved economic conditions in these markets and newly won business. Revenues at our Lincoln lab decreased 6% due to lower volumes in companion animal services, the result of difficult comparisons due to strong growth in the prior year.

On a worldwide basis, genomic revenues increased 10%, with robust growth in our Scotland and Brazil labs, in addition to the increase in Australia. Overall, international revenues rose 10% in the third quarter. Excluding the Megazyme and Delf acquisitions, international sales were up 5%. As I mentioned earlier, currency wins were in our face during the quarter and took about 2% off the international growth numbers.

Our UK operations were up 9% organically in the third quarter and continued strong, cleaner and disinfectant sales into the UK and Asia, driven by African swine fever and strengthened culture media sales related to our new One Broth One Plate workflow. Sales in Brazil decreased 2%, with lower sales of dairy drug residue test kits as [ph] we discontinue (00:11:13) sales of certain non-core low margin kits, offsetting increases from genomic services and natural toxin test kits.

Revenues in China decreased 17% as the country's zero COVID strategy created lockdowns and restricted travel in a number of markets. Additionally, lower pork prices at the producer level resulted in lower sales of cleaners and disinfectants. Gross margin in the third quarter were 44.8%, compared to 46.1% in the prior-year third quarter, primarily the result of lower gross margins in the Animal Safety segment, due in large part to lower sales of higher margin rodenticide products and genomic services to the companion animal market, and higher raw material costs.

In addition, as I've mentioned previously, supply chain issues continue to drive increases in freight costs. In the third quarter alone, freight costs rose \$2.2 million over the prior year; and in a number of cases, we air-freighted products in at significant cost penalty to ensure we have adequate product on hand to serve our customers. We have taken price increases as necessary to help cover these cost increases, and we'll continue to do so. Other significant cost increases were for selected salaries to drive employee retention, health insurance costs as employees utilize services postponed during the pandemic, and scrap and contracted services.

Sales and marketing expense for the quarter was \$21.5 million, an increase of 15% over the prior year. This increase is a result of higher personnel costs due to additional head count and sales volumes, higher shipping expenses and also increased spend on travel, trade shows and other customer-facing activities. As I've noted on prior calls, the increased travel expense was planned as prior year activity was minimal due to COVID restrictions.

General and administrative costs were \$25 million, including \$10.6 million of consulting and legal fees related to the 3M deal. This compares to \$15.1 million in the third quarter of the prior year. As I noted last quarter, we'll continue to incur significant professional fees through the close of the 3M transaction, primarily for legal and consulting as we continue to work on integration activities to ensure we're ready to execute on day 1. Excluding these deal costs and additionally adjusting for \$2.3 million incurred in last year's third quarter for an acquisition which we were unsuccessful in completing, run rate G&A expense increased \$1.5 million or 12% in the third quarter. The increase was primarily due to increased personnel costs, senior management hires, and amortization expenses from recent acquisitions.

Research and development expense was \$4.6 million, an 8% increase over the prior year. The increase is primarily the result of personnel-related expenses and includes personnel absorbed in the Megazyme acquisition. Operating income for the third quarter, after excluding the \$10.6 million of 3M deal related costs, was \$17 million or 13.2% of sales, an increase of 8% compared to \$15.8 million or 13.5% of sales in the prior year quarter.

Our effective tax rate in the third quarter was 18.1% compared to an effective tax rate of 16.3% in the prior year. The increased effective rate is due to lower benefit, resulting from a significant reduction in stock option exercise activity. Our tax benefit from auction exercises in the quarter was \$33,000, compared to a \$1.83 million in last year's third quarter.

On the balance sheet, inventory levels have risen \$12.7 million or 13% since May 31. Approximately \$2 million of that increase is a result of our recent acquisitions. The remainder of the increase reflects higher raw material costs and higher safety stock levels as we've increased balances in several areas to ensure adequate quantities of key raw materials to minimize back orders to our customers as supply chain issues persist.

I expect higher levels of inventory to continue for the near-term until we see some relief from these supply chain issues. We've generated \$47.6 million in cash from operations during the first nine months of the year and we invested \$38 million in our acquisitions.

To wrap up, considering the headwinds we had in our face, overall, it was a solid quarter and we're cautiously optimistic for the remainder of the fiscal year and excited for the future of the company as we prepare for the combination with 3M's Food Safety business. I'd be remiss if I didn't thank our more than 2,000 employees worldwide for all their efforts in making this company what it is today. We'll continue to drive for improved operating performance, while working on the integration planning for the 3M combination.

I'll now return it to John for his closing comments.

---

## John E. Adent

*President, Chief Executive Officer & Director, Neogen Corp.*

Thanks, Steve. Earlier I mentioned our agreement to combine 3M's Food Safety business with our existing operations, and I wanted to provide an update on where we were in the integration planning process. Since the announcement, members of our leadership team have set off across the country and around the world to host meet and greets at 3M's Food Safety locations, touching base with employees, introducing Neogen, who we are and what we do, as well as answering initial questions and laying out the vision of our future as one combined company. The meetings have gone extremely well and we have learned so much from all of the 3M Food Safety employees. I feel incredibly confident that together we're going to build something truly special.

We've established 25 teams to help tackle the huge project that is planning the integration of our two companies. These teams comprised of key leaders now working to ensure that both the Neogen team and the 3M team are

ready for day 1. Those teams also are partnered with [indiscernible] (00:17:10) on the 3M side to make sure that we are covering every aspect of the business and leaving no room for error once we close and are ready to begin building our new company.

I feel very grateful for the hardworking members of both the Neogen and 3M teams, who are leading us forward and helping us create something special. The more we meet and interact with our future team members, the more excited we get about our new company. Overall, we have a very positive outlook on the state of the company and we're excited for the fourth quarter. Neogen is strong. Our people are excited and we're all united under one mission. This hasn't been an easy quarter, but I continue to be impressed by the resilience of our employees and their desire to drive Neogen's success.

Now, I'll open up the floor for any questions you have for Steve and I.

## QUESTION AND ANSWER SECTION

**Operator:** We will now begin the question-and-answer session. [Operator Instructions] The first question today comes from Christine Rains with William Blair. Please go ahead.

**Christine Rains**

*Analyst, William Blair & Co. LLC*

Q

Hi, good morning. I was hoping – I know you don't give explicit guidance. So, I was wondering if you can talk broadly about the outlook for the fourth quarter, specifically on the top line and margin side of things?

**Steven James Quinlan**

*Chief Financial Officer, Neogen Corp.*

A

Yeah. Good morning, Christine. Fourth quarter, we're – as I said, we are cautiously optimistic there. There are headwinds in our face. We talked about currency going against us, supply chain issues continue, and the after-effects of the latest COVID outbreak are still out in our markets. As you said, we don't give guidance. We were 10% in the third quarter. I think that's the best we could probably give for the fourth quarter.

**John E. Adent**

*President, Chief Executive Officer & Director, Neogen Corp.*

A

Yeah. And Christine, as you think about, like, the third quarter and the similarities, I mean, couple things to really look at. Big drop, the impact on margin was primarily coming out of our Animal Safety business. Margins for Food Safety were flat which we consider was actually really good considering all the supply chain challenges and cost increases, but that's because we were able to do price increases to our customers as well.

COVID 19 had a really big impact on this quarter. We average about 300 hours of absenteeism per month and it jumped to 4,000 hours per month in the quarter. Now, it's getting better, but it's not back to 300 hours. So when that happened, and I don't think this was just us, we saw this not only with our business, but with our suppliers and our customers, there are just a number of people out. And so, running tests, having customers perform tests, getting the raw materials we needed was very challenging for the quarter. But that's starting to get better, which makes me feel pretty good about fourth quarter.

I think the biggest thing is, the costs we're going to incur working on the 3M deal. We've put together a very strong team. Like I mentioned, we've got 25 work teams. And we met for the quarter, we met, almost 1,400 hours of

meetings with the 3M counterparts to put the business together. So we're making great progress on that while continuing to drive our core business forward.

**Christine Rains**

*Analyst, William Blair & Co. LLC*

Q

Okay, that's really helpful color there. So on the Food Safety side of things, obviously there was some of that negative mix shift due to Animal Safety growing faster and being lower margin. But on the Food Safety side of things was the deceleration from last quarter primarily due to Omicron or is there something else we should be thinking about there?

**John E. Adent**

*President, Chief Executive Officer & Director, Neogen Corp.*

A

No, I'd say that was primarily driven by Omicron.

**Christine Rains**

*Analyst, William Blair & Co. LLC*

Q

Okay. That's really helpful. And then a couple on the 3M side for me. You mentioned that you expect the deal and integration costs to continue for the remainder of the year and then into next year. And I think it's been about like a \$9 million to \$11 million run for the past couple quarters, is that what we should expect that going forward in terms of the deal closes or on some stuff down or stuff up there?

**Steven James Quinlan**

*Chief Financial Officer, Neogen Corp.*

A

Yeah. Christine, that's probably a fair number, particularly in this fourth quarter. As you know, we filed our registration statement and proxy in the last week, and there was a fair amount of legal work there. So I would say that those numbers are for the fourth quarter in particular would be a reasonable approximation of what we're going to spend in the quarter.

**Christine Rains**

*Analyst, William Blair & Co. LLC*

Q

Okay. Thanks. And then one last one for me. So I think the 3M Food Safety business grew in the high-single digits for the quarter. And then, so, I guess, my question is, how do your results [indiscernible] (00:22:44) low-double-digit growth profile you've been targeting given that?

**John E. Adent**

*President, Chief Executive Officer & Director, Neogen Corp.*

A

Yeah. I think a couple of reasons. One is, that is a very small business within a very large company. And if you think about how 3M is structured, those salespeople report into healthcare. And while it's a very interesting business for us, the healthcare team can make their number without having Food Safety and make their number at all with 3M. So we think giving some clarity and guidance and waking up every day to work on protecting the world's food supply is going to be something that the new organization's going to be hyper-focused on. So we think there's tremendous opportunity there.

The other is, it's been challenging for that group to get resources. And I think that's common within any company. When it's less than 1% of your revenues, you may not be the highest on the list for resource allocation. Well, that

is our core business and it's an area where we're going to invest to grow the business. So, those are the things that are getting me very, very confident.

And then third is talking to customers. We talk to a number of customers and universally they've been very, very supportive of the deal. And it's because Neogen provides a very high touch service level, which is going to allow us to continue to meet customer needs and help them in unidentified problems. That's one of the things we do really, really well is, when a customer has an issue and we don't have a – we don't currently have a solution for them, we work with those customers to develop new products, new lines and solutions to bring to the marketplace. And we think that's only going to accelerate as we add the 3M Food Safety team and bringing in those line of products and those customers to continue that pipeline.

---

**Christine Rains**

*Analyst, William Blair & Co. LLC*

Q

Great. Thanks so much for all the details there. Congratulations on the – on pending transaction.

---

**John E. Adent**

*President, Chief Executive Officer & Director, Neogen Corp.*

A

Yeah. Thanks, Christine.

---

**Operator:** [Operator Instructions] The next question comes from David Westenberg with Piper Sandler. Please go ahead.

---

**David Westenberg**

*Analyst, Piper Sandler & Co.*

Q

Hi, guys. Thank you for taking the question. So, I used to think of your market share and maybe my number was off in Food and Animal Safety is around – each one of them around 10%. We always liked it because you had – it's a fairly non-consolidated market, and I think you guys were close to the top of market share in those, like, respective markets. Can you talk about where you think you will be post 3M acquisition and market share in Food and Animal Safety, respectively?

---

**John E. Adent**

*President, Chief Executive Officer & Director, Neogen Corp.*

A

Yeah. So there'll be no change on Animal Safety, because they really don't have any business in that. In Food Safety, I think your numbers are about right. Pre-merge, we were about 10% within that segment and tremendous opportunity to grow, right?

So we doubled the size of that business. So we'll give you – that gives us 20% and still tremendous runway, right? And the key things I get really excited about is the way the market continues to grow from. We've got tremendous opportunities in the pathogen segment, new allergens continue to come in, that business – the strength of business has been great. We did another 12% this quarter that continues to grow.

As Steve mentioned, our new ATP reader, which we watch reader sales really importantly in our Soleris readers and our ATP readers are growing double-digit, really strong growth, which then translates into greater consumables as we move forward. So really looking forward to that, David.

And then, it's really thinking about how are we going to approach the new product portfolio with our customers, right? So how are we going to work with customers who maybe have experience with the Neogen product, but not

a 3M product or vice versa, to really show them the full portfolio of the company going forward, and all the things we can do to meet their needs to simplify their lives, because I think that's one of the greatest things is that, it's going to be a lot easier for our customers, because now they're going to be working with one organization rather than two, that's going to be a lot more streamlined and it's going to be a lot more receptive for them. So those are some of the things that we're really excited about.

---

**David Westenberg**

*Analyst, Piper Sandler & Co.*

Q

Yeah. I appreciate all the color there. And you did give a lot of commentary on the gross margins and why they were down year-on-year here. Now, I do – and correct me if I'm wrong on this logic, but when – I do think when food prices go up, food safety, it seems like you would be able to get that pricing to them because, just conceptually, like, you still want your food to be safe, of course.

---

**John E. Adent**

*President, Chief Executive Officer & Director, Neogen Corp.*

A

Right.

---

**David Westenberg**

*Analyst, Piper Sandler & Co.*

Q

So can you talk about maybe how the flow-through might be or they might be able to take price or expand that margin in the next couple years, considering that concept I think still holds?

---

**John E. Adent**

*President, Chief Executive Officer & Director, Neogen Corp.*

A

Yeah. I think that's exactly right. I mean, we're really learning a lot about that business, and we've had great meetings with the [indiscernible] (00:28:16) teams, which is their counterparts at 3M. And what's really fun is the one thing I hear repeatedly from the team is, ah, so nice to talk to somebody who actually understands our business, right? Because we understand the business every day and we get up and we do this business.

And so, I think there are opportunities to really understand what are the value propositions for customers and thinking about the total value proposition of the new portfolio, which is going to really be able for us to show the customers the true value of the Neogen product line going forward.

And then it's – like we continue to do, David, we continue to launch new products and I think that's a real opportunity coming out of 3M is the ability to fund and launch new products that are going to be significant margin contributors because as you saw from the performance, it's a great business. I mean, the combined company is going to be – we're going to have 30% EBITDA margins going forward, close to \$1 billion in sales. It's a really, really strong business.

---

**David Westenberg**

*Analyst, Piper Sandler & Co.*

Q

I really appreciate that. And I – sorry, I mean, I put the screws to you guys on next year's growth. You historically or over the last couple years, you've given really good commentary about the food waste that goes on, when the end customer is eating at restaurants versus when they're consuming food at home. And a lot of that made a lot of sense. We are seeing restaurants open up, open back up. I mean, in this next year, are you guys primed at really crush numbers on the Food Safety front, and sorry to put you guys on the spot.

**John E. Adent**

*President, Chief Executive Officer & Director, Neogen Corp.*

A

Yeah. No. Look, I think we are – I mean, I think we saw that kind of when the markets opened up in what would be our first and second quarter and things loosened up, we had really strong double-digit growth, this quarter was a little bit tougher, things clamped down.

The challenge, David, too is, you got to think about this worldwide, right, where you can really see where Omicron was moving around the world in our business because in the US it was challenging with Omicron and so with the UK and some of the European businesses. We're going to have that in fourth quarter for rest of the world because I will tell you, like, we were talking to our employees in China. And our general manager there, [indiscernible] (00:30:44) over 10,000 people or something on her block or in her building, and they found three positives and they shut the whole building down for 14 days. She can't come to work. So, China has taken that strategy of just – they just shut everything down.

And so while I feel good about the US and it has a bigger impact because this is where our major manufacturing is, the international, this wave is kind of moving now internationally in other parts, and it's going to have an impact on our international business. But your premise is right. I agree with your premise. It's just, man, I'd love to get this thing behind us so we can just get quarter-after-quarter like we did the last three where we were able to stack one on top of the other, but 10% on the top and 8% on OP, I like, right? I mean, yes, 16% is better and 12% was better, and that's where we're heading, so.

**David Westenberg**

*Analyst, Piper Sandler & Co.*

Q

Right. Thank you very much, and congrats again on the 3M deal.

**John E. Adent**

*President, Chief Executive Officer & Director, Neogen Corp.*

A

You bet, David.

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

**John E. Adent**

*President, Chief Executive Officer & Director, Neogen Corp.*

Thank you. I mean, one of the things we didn't cover that I wanted to cover was in March, we stopped all of our sales to Russia that will have about a \$0.5 million impact for the quarter. The other thing that Neogen has done is, we've identified a number of agencies working in the Ukraine to help the people and animals there and – that we serve. So we've identified agencies that Neogen is working with and we are doing a company match program for employees as we help drive donations to that country and the people there. So we're trying to do all we can to help support the Ukrainian people in this very, very challenging time. And I just wanted the group to know that.

So thank you very much and we really look forward to talking to you all again in July, when we present fourth quarter and year-end results.

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

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2022 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.