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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 10-Q**

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(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended November 30, 2020.

or

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-17988

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**Neogen Corporation**

(Exact name of registrant as specified in its charter)

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**Michigan**  
(State or other jurisdiction of  
incorporation or organization)

**38-2367843**  
(IRS Employer  
Identification Number)

**620 Leshar Place**  
**Lansing, Michigan 48912**  
(Address of principal executive offices, including zip code)

**(517) 372-9200**  
(Registrant's telephone number, including area code)

N/A  
(Former name, former address and former fiscal year, if changed since last report)

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**SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:**

Title of each Class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.16 par value per share	NEOG	NASDAQ Global Select Market

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by a check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file reports), and (2) has been subject to such filing requirements for the past 90 days. YES  NO

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). YES  NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer”, “accelerated filer”, “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller Reporting Company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): YES  NO

As of November 30, 2020 there were 53,244,057 shares of Common Stock outstanding.

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**NEOGEN CORPORATION AND SUBSIDIARIES**  
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**PART I – FINANCIAL INFORMATION**

**Item 1. Interim Consolidated Financial Statements**

**Neogen Corporation and Subsidiaries**  
**Consolidated Balance Sheets (unaudited)**  
*(in thousands, except share and  
per share amounts)*

	<u>November 30,</u> <u>2020</u>	<u>May 31,</u> <u>2020</u>
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 113,867	\$ 66,269
Marketable securities	276,898	277,404
Accounts receivable, less allowance of \$1,350 and \$1,350 at November 30, 2020 and May 31, 2020, respectively	79,931	84,681
Inventories	92,529	95,053
Prepaid expenses and other current assets	15,201	13,999
<b>Total Current Assets</b>	<u>578,426</u>	<u>537,406</u>
Net Property and Equipment	83,774	78,671
Other assets		
Right of use assets	1,540	1,952
Goodwill	111,687	110,340
Other non-amortizable intangible assets	15,378	15,217
Amortizable intangible and other assets, net of accumulated amortization of \$48,546 and \$44,690 at November 30, 2020 and May 31, 2020, respectively	54,821	53,596
<b>Total Assets</b>	<u>\$ 845,626</u>	<u>\$ 797,182</u>
<b>Liabilities and Stockholders' Equity</b>		
Current Liabilities		
Accounts payable	\$ 20,697	\$ 25,650
Accrued compensation	8,321	7,735
Income taxes	476	1,456
Other accruals	15,093	13,648
<b>Total Current Liabilities</b>	<u>44,587</u>	<u>48,489</u>
Deferred Income Taxes	18,391	18,125
Other Non-Current Liabilities	5,253	5,391
<b>Total Liabilities</b>	<u>68,231</u>	<u>72,005</u>
Commitments and Contingencies (note 11)		
Equity		
Preferred stock, \$1.00 par value, 100,000 shares authorized, none issued and outstanding	—	—
Common stock, \$0.16 par value, 120,000,000 shares authorized, 53,244,057 and 52,945,841 shares issued and outstanding at November 30, 2020 and May 31, 2020, respectively	8,519	8,471
Additional paid-in capital	273,495	257,693
Accumulated other comprehensive loss	(15,086)	(19,709)
Retained earnings	510,467	478,722
<b>Total Stockholders' Equity</b>	<u>777,395</u>	<u>725,177</u>
<b>Total Liabilities and Stockholders' Equity</b>	<u>\$ 845,626</u>	<u>\$ 797,182</u>

See notes to interim consolidated financial statements.

**Neogen Corporation and Subsidiaries**  
**Consolidated Statements of Income (unaudited)**  
*(in thousands, except per share amounts)*

	Three Months Ended November 30,		Six Months Ended November 30,	
	2020	2019	2020	2019
<b>Revenues</b>				
Product revenues	\$ 92,537	\$ 87,387	\$ 180,472	\$ 169,335
Service revenues	22,463	20,416	43,853	39,892
<b>Total Revenues</b>	<b>115,000</b>	<b>107,803</b>	<b>224,325</b>	<b>209,227</b>
<b>Cost of Revenues</b>				
Cost of product revenues	49,275	45,559	95,870	87,590
Cost of service revenues	12,511	11,218	24,939	22,417
<b>Total Cost of Revenues</b>	<b>61,786</b>	<b>56,777</b>	<b>120,809</b>	<b>110,007</b>
<b>Gross Margin</b>	<b>53,214</b>	<b>51,026</b>	<b>103,516</b>	<b>99,220</b>
<b>Operating Expenses</b>				
Sales and marketing	17,729	17,988	34,245	35,531
General and administrative	12,184	10,985	23,197	21,684
Research and development	4,056	3,781	7,934	7,469
<b>Total Operating Expenses</b>	<b>33,969</b>	<b>32,754</b>	<b>65,376</b>	<b>64,684</b>
<b>Operating Income</b>	<b>19,245</b>	<b>18,272</b>	<b>38,140</b>	<b>34,536</b>
<b>Other Income (Expense)</b>				
Interest income	555	1,271	1,277	2,781
Other expense	(465)	(317)	(272)	(439)
<b>Total Other Income</b>	<b>90</b>	<b>954</b>	<b>1,005</b>	<b>2,342</b>
<b>Income Before Taxes</b>	<b>19,335</b>	<b>19,226</b>	<b>39,145</b>	<b>36,878</b>
<b>Provision for Income Taxes</b>	<b>3,450</b>	<b>2,950</b>	<b>7,400</b>	<b>5,950</b>
<b>Net Income</b>	<b>\$ 15,885</b>	<b>\$ 16,276</b>	<b>\$ 31,745</b>	<b>\$ 30,928</b>
<b>Net Income Per Share</b>				
Basic	<u>\$ 0.30</u>	<u>\$ 0.31</u>	<u>\$ 0.60</u>	<u>\$ 0.59</u>
Diluted	<u>\$ 0.30</u>	<u>\$ 0.31</u>	<u>\$ 0.60</u>	<u>\$ 0.59</u>
<b>Weighted Average Shares Outstanding</b>				
Basic	53,129	52,557	53,022	52,355
Diluted	53,404	52,876	53,300	52,712

See notes to interim consolidated financial statements.

**Neogen Corporation and Subsidiaries**  
**Consolidated Statements of Comprehensive Income (unaudited)**  
*(in thousands)*

	Three Months Ended November 30,		Six Months Ended November 30,	
	2020	2019	2020	2019
Net income	\$ 15,885	\$ 16,276	\$ 31,745	\$ 30,928
Other comprehensive income (loss), net of tax: foreign currency translations	938	2,367	5,059	(691)
Other comprehensive income (loss), net of tax: unrealized gain (loss) on marketable securities	(317)	(149)	(436)	413
Total comprehensive income	<u>\$ 16,506</u>	<u>\$ 18,494</u>	<u>\$ 36,368</u>	<u>\$ 30,650</u>

See notes to interim consolidated financial statements.

**Neogen Corporation and Subsidiaries**  
**Consolidated Statements of**  
**Equity (unaudited)**  
*(in thousands)*

	Common Stock		Additional	Accumulated	Retained	Total
	Shares	Amount	Paid-in	Other	Earnings	
			Capital	Comprehensive		
				Income (Loss)		
<b>Balance, June 1, 2020</b>	<b>52,946</b>	<b>\$ 8,471</b>	<b>\$ 257,693</b>	<b>\$ (19,709)</b>	<b>\$ 478,722</b>	<b>\$ 725,177</b>
Exercise of options and share-based compensation expense	86	14	5,825	—	—	5,839
Issuance of shares under employee stock purchase plan	9	2	666	—	—	668
Net income for the three months ended August 31, 2020	—	—	—	—	15,860	15,860
Other comprehensive income for the three months ended August 31, 2020	—	—	—	4,002	—	4,002
<b>Balance, August 31, 2020</b>	<b>53,041</b>	<b>\$ 8,487</b>	<b>\$ 264,184</b>	<b>\$ (15,707)</b>	<b>\$ 494,582</b>	<b>\$ 751,546</b>
Exercise of options and share-based compensation expense	203	32	9,311	—	—	9,343
Net income for the three months ended November 30, 2020	—	—	—	—	15,885	15,885
Other comprehensive income for the three months ended November 30, 2020	—	—	—	621	—	621
<b>Balance, November 30, 2020</b>	<b>53,244</b>	<b>8,519</b>	<b>273,495</b>	<b>\$ (15,086)</b>	<b>\$ 510,467</b>	<b>\$ 777,395</b>
<b>Balance, June 1, 2019</b>	<b>52,217</b>	<b>\$ 8,355</b>	<b>\$ 221,937</b>	<b>\$ (11,640)</b>	<b>\$ 419,247</b>	<b>\$ 637,899</b>
Exercise of options and share-based compensation plan	196	30	9,683	—	—	9,713
Issuance of shares under employee stock purchase plan	10	2	536	—	—	538
Net income for the three months ended August 31, 2019	—	—	—	—	14,652	14,652
Other comprehensive loss for the three months ended August 31, 2019	—	—	—	(2,496)	—	(2,496)
<b>Balance, August 31, 2019</b>	<b>52,423</b>	<b>\$ 8,387</b>	<b>\$ 232,156</b>	<b>\$ (14,136)</b>	<b>\$ 433,899</b>	<b>\$ 660,306</b>
Exercise of options and share-based compensation plan	288	47	12,070	—	—	12,117
Net income for the three months ended November 30, 2019	—	—	—	—	16,276	16,276
Other comprehensive income for the three months ended November 30, 2019	—	—	—	2,218	—	2,218
<b>Balance, November 30, 2019</b>	<b>52,711</b>	<b>8,434</b>	<b>244,226</b>	<b>(11,918)</b>	<b>450,175</b>	<b>690,917</b>

See notes to interim consolidated financial statements.

**Neogen Corporation and Subsidiaries**  
**Consolidated Statements of Cash Flows (unaudited)**  
*(in thousands)*

	Six Months Ended November 30,	
	2020	2019
<b>Cash Flows From Operating Activities</b>		
Net Income	\$ 31,745	\$ 30,928
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	9,523	8,985
Share-based compensation	3,192	3,155
Change in operating assets and liabilities, net of business acquisitions:		
Accounts receivable	6,662	(2,483)
Inventories	4,063	(103)
Prepaid expenses and other current assets	(2,080)	(1,323)
Accounts payable, accruals and other changes	(5,581)	1,313
<b>Net Cash From Operating Activities</b>	<u>47,524</u>	<u>40,472</u>
<b>Cash Flows For Investing Activities</b>		
Purchases of property, equipment and other non-current intangible assets	(11,092)	(12,806)
Proceeds from the sale of marketable securities	309,030	199,708
Purchases of marketable securities	(308,524)	(220,528)
Business acquisitions, net of cash acquired	(2,350)	—
<b>Net Cash For Investing Activities</b>	<u>(12,936)</u>	<u>(33,626)</u>
<b>Cash Flows From Financing Activities</b>		
Exercise of stock options and issuance of employee stock purchase plan shares	12,658	19,213
<b>Net Cash From Financing Activities</b>	<u>12,658</u>	<u>19,213</u>
Effect of Foreign Exchange Rates on Cash	352	(1,333)
<b>Net Increase In Cash and Cash Equivalents</b>	<u>47,598</u>	<u>24,726</u>
<b>Cash and Cash Equivalents, Beginning of Period</b>	<u>66,269</u>	<u>41,688</u>
<b>Cash and Cash Equivalents, End of Period</b>	<u>\$ 113,867</u>	<u>\$ 66,414</u>

See notes to interim consolidated financial statements.

**NEOGEN CORPORATION AND SUBSIDIARIES**  
**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**1. ACCOUNTING POLICIES**

**BASIS OF PRESENTATION AND CONSOLIDATION**

The accompanying unaudited consolidated financial statements include the accounts of Neogen Corporation (“Neogen” or the “Company”) and its wholly owned subsidiaries and have been prepared in accordance with accounting principles generally accepted in the United States of America (generally accepted accounting principles) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation have been included in the accompanying unaudited consolidated financial statements. All intercompany balances and transactions have been eliminated in consolidation. The results of operations for the three and six month periods ended November 30, 2020 are not necessarily indicative of the results to be expected for the fiscal year ending May 31, 2021. For more complete financial information, these consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K for the fiscal year ended May 31, 2020.

Our functional currency is the U.S. dollar. We translate our non-U.S. operations’ assets and liabilities denominated in foreign currencies into U.S. dollars at current rates of exchange as of the balance sheet date and income and expense items at the average exchange rate for the reporting period. Translation adjustments resulting from exchange rate fluctuations are recorded in other comprehensive income (loss). Gains or losses from foreign currency transactions are included in other income (expense) on our consolidated statement of income.

**Recently Adopted Accounting Standards**

*Financial Instruments—Credit Losses*

On June 1, 2020, the Company adopted ASU No. 2016-13—Measurement of Credit Losses on Financial Instruments, which changes how the Company measures credit losses on most financial instruments measured at amortized cost and certain other instruments, such as loans, receivables and held-to-maturity debt securities. Rather than generally recognizing credit losses when it is probable that the loss has been incurred, the revised guidance requires the Company to recognize an allowance for credit losses for the difference between the amortized cost basis of a financial instrument and the amount of amortized cost that the Company expects to collect over the instrument’s contractual life. The adoption of this guidance did not have a material impact on our consolidated financial statements due to the Company’s short-term contractual life of receivables and minimal expected losses.

*Fair Value Measurements*

On June 1, 2020, the Company adopted ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement, which modifies the disclosure requirements of fair value measurements. The adoption of this guidance did not have an impact on our consolidated financial statements.

*Cloud Computing Implementation Cost*

On June 1, 2020, the Company adopted ASU 2018-15, Intangible-Goodwill and Other Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Cost Incurred in a Cloud Computing Arrangement That Is a Service Contract, which clarifies the accounting for implementation costs in cloud computing arrangements. The adoption of this guidance did not have an impact on our consolidated financial statements.

## **Comprehensive Income**

Comprehensive income represents net income and any revenues, expenses, gains and losses that, under U.S. generally accepted accounting principles, are excluded from net income and recognized directly as a component of equity. Accumulated other comprehensive income (loss) consists of foreign currency translation adjustments and unrealized gains or losses on our marketable securities.

## **Fair Value of Financial Instruments**

The carrying amounts of the Company's financial instruments other than cash equivalents and marketable securities, which include accounts receivable and accounts payable, approximate fair value based on either their short maturity or current terms for similar instruments.

Fair value measurements are determined based upon the exit price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants exclusive of any transaction costs. The Company utilizes a fair value hierarchy based upon the observability of inputs used in valuation techniques as follows:

Level 1: Observable inputs such as quoted prices in active markets;

Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

## **ESTIMATES AND ASSUMPTIONS**

The preparation of these financial statements requires that management make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. On an ongoing basis, management evaluates the estimates, including, but not limited to, variable consideration related to revenue recognition, allowances for doubtful accounts, the market value of, and demand for, inventories, stock-based compensation, provision for income taxes and related balance sheet accounts, accruals, goodwill and other intangible assets. These estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

## **Accounts Receivable Allowance**

Management attempts to minimize credit risk by reviewing customers' credit history before extending credit and by monitoring credit exposure on a regular basis. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific customers, historical trends and other information. Collateral or other security is generally not required for accounts receivable. Once a receivable balance has been determined to be uncollectible, generally after all collection efforts have been exhausted, that amount is charged against the allowance for doubtful accounts.

## **Inventory**

The reserve for obsolete and slow-moving inventory is reviewed at least quarterly based on an analysis of the inventory, considering the current condition of the asset as well as other known facts and future plans. The reserve required to record inventory at lower of cost or net realizable value is adjusted as conditions change. Product obsolescence may be caused by shelf-life expiration, discontinuance of a product line, replacement products in the marketplace or other competitive situations.

## **Goodwill and Other Intangible Assets**

Goodwill represents the excess of purchase price over fair value of tangible net assets of acquired businesses after amounts are allocated to other identifiable intangible assets. Other intangible assets include customer relationships, trademarks, licenses, trade names, covenants not-to-compete and patents. Customer-based intangibles are amortized on either an accelerated or straight-line basis, reflecting the pattern in which the economic benefits are consumed, while all other amortizable intangibles are amortized on a straight-line basis; intangibles are generally amortized over 5 to 25 years. We review the carrying amounts of goodwill and other non-amortizable intangible assets annually, or when indications of impairment exist, to determine if such assets may be impaired. If the carrying amounts of these assets are deemed to be less than fair value based upon a discounted cash flow analysis and comparison to comparable EBITDA multiples of peer companies, such assets are reduced to their estimated fair value and a charge is recorded to operations.

## **Long-Lived Assets**

Management reviews the carrying values of its long-lived assets to be held and used, including definite-lived intangible assets, for possible impairment whenever events or changes in business conditions warrant such a review. The carrying value of a long-lived asset is considered impaired when the anticipated separately identifiable undiscounted cash flows over the remaining useful life of the asset indicate that the carrying amount of the asset may not be recoverable. In such an event, fair value is determined using discounted cash flows and, if lower than the carrying value, impairment is recognized through a charge to operations.

## **Equity Compensation Plans**

Share options awarded to employees, restricted stock units (RSUs) and shares of stock awarded to employees under certain stock purchase plans are recognized as compensation expense based on their fair value at grant date. The fair market value of options granted under the Company stock option plans was estimated on the date of grant using the Black-Scholes option-pricing model with assumptions for inputs such as interest rates, expected dividends, volatility measures and specific employee exercise behavior patterns based on statistical data. Some of the inputs used are not market-observable and have to be estimated or derived from available data. Use of different estimates would produce different option values, which in turn would result in higher or lower compensation expense recognized. For RSUs, we use the intrinsic value method to value the units. To value other equity awards, several recognized valuation models exist; none of these models can be singled out as being the best or most correct. The model applied by us can handle most of the specific features included in the options granted, which are the reason for their use. If different models were used, the option values could differ despite using the same inputs. Accordingly, using different assumptions coupled with using a different valuation model could have a significant impact on the fair value of employee stock options. Fair value could be either higher or lower than the number provided by the model applied and the inputs used. Further information on our equity compensation plans, including inputs used to determine the fair value of options, is disclosed in Note 8.

## **Income Taxes**

We account for income taxes using the asset and liability method. Under this method, deferred income tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and for tax credit carryforwards and are measured using the enacted tax rates in effect for the years in which the differences are expected to reverse. Deferred income tax expense represents the change in net deferred income tax assets and liabilities during the year.

## **2. CASH AND MARKETABLE SECURITIES**

### **Cash and Cash Equivalents**

Cash and cash equivalents consist of bank demand accounts, savings deposits, certificates of deposit and commercial paper with original maturities of 90 days or less. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Company has not experienced losses related to these balances and believes it is not exposed to significant credit risk regarding its cash and cash equivalents. Cash and cash equivalents were \$113,867,000 and \$66,269,000 at November 30, 2020 and May 31, 2020, respectively. The carrying value of these assets approximates fair value due to the short maturity of these instruments and is classified as Level 1 in the fair value hierarchy.

## Marketable Securities

The Company has marketable securities held by banks or broker-dealers at November 30, 2020. Changes in market value are monitored and recorded on a monthly basis; in the event of a downgrade in credit quality subsequent to purchase, the marketable securities investment is evaluated to determine the appropriate action to take to minimize the overall risk to our marketable securities portfolio. These securities are classified as available for sale. The primary objective of management's short-term investment activity is to preserve capital for the purpose of funding current operations, capital expenditures and business acquisitions; short-term investments are not entered into for trading or speculative purposes. These securities are recorded at fair value based on recent trades or pricing models and therefore meet the Level 2 criteria. Interest income on these investments is recorded within other income on the income statement. Adjustments in the fair value of these assets are recorded in other comprehensive income.

Marketable Securities as of November 30, 2020 and May 31, 2020 are listed below by classification and remaining maturities.

<i>(in thousands)</i>	<b>Maturity</b>	<b>November 30, 2020</b>	<b>May 31, 2020</b>
US Treasuries	0 - 90 days	\$ —	\$ —
	91 - 180 days	—	—
	181 days - 1 year	—	2,532
	1 - 2 years	—	—
Commercial Paper & Corporate Bonds	0 - 90 days	114,237	133,130
	91 - 180 days	132,758	73,824
	181 days - 1 year	15,978	43,231
	1 - 2 years	1,830	7,839
Certificates of Deposit	0 - 90 days	4,012	1,003
	91 - 180 days	2,260	5,184
	181 days - 1 year	4,553	6,069
	1 - 2 years	1,270	4,592
<b>Total Marketable Securities</b>		<b>\$ 276,898</b>	<b>\$ 277,404</b>

The components of marketable securities at November 30, 2020 are as follows:

<i>(in thousands)</i>	<b>Amortized Cost</b>	<b>Unrealized Gains</b>	<b>Unrealized Losses</b>	<b>Fair Value</b>
US Treasuries	\$ —	\$ —	\$ —	\$ —
Commercial Paper & Corporate Bonds	264,616	338	(151)	264,803
Certificates of Deposit	12,009	86	—	12,095
<b>Total Marketable Securities</b>	<b>\$276,625</b>	<b>\$ 424</b>	<b>\$ (151)</b>	<b>\$276,898</b>

The components of marketable securities at May 31, 2020 are as follows:

<i>(in thousands)</i>	<b>Amortized Cost</b>	<b>Unrealized Gains</b>	<b>Unrealized Losses</b>	<b>Fair Value</b>
US Treasuries	\$ 2,502	\$ 30	\$ —	\$ 2,532
Commercial Paper & Corporate Bonds	257,700	347	(23)	258,024
Certificates of Deposit	16,648	200	—	16,848
<b>Total Marketable Securities</b>	<b>\$276,850</b>	<b>\$ 577</b>	<b>\$ (23)</b>	<b>\$277,404</b>

### 3. INVENTORIES

Inventories are stated at the lower of cost, determined by the first-in, first-out method, or net realizable value. The components of inventories follow:

<i>(in thousands)</i>	November 30, 2020	May 31, 2020
Raw materials	\$ 45,269	\$ 45,058
Work-in-process	6,020	6,887
Finished and purchased goods	41,240	43,108
	<u>\$ 92,529</u>	<u>\$ 95,053</u>

### 4. LEASES

We lease various manufacturing, laboratory, warehousing and distribution facilities, administrative and sales offices, equipment and vehicles under operating leases. We evaluate our contracts to determine if an arrangement is a lease at inception and classify it as a finance or operating lease. Currently, all of our leases are classified as operating leases. Leased assets and corresponding liabilities are recognized based on the present value of the lease payments over the lease term. Our lease terms may include options to extend when it is reasonably certain that we will exercise that option.

Topic ASC 842 requires the Company to recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. Right-of-use assets are recorded in other assets on our consolidated balance sheets. Current and non-current lease liabilities are recorded in other accruals within current liabilities and other non-current liabilities, respectively, on our consolidated balance sheets. Costs associated with operating leases are recognized on a straight-line basis within operating expenses over the term of the lease.

We have made certain assumptions and judgments when applying ASC 842, the most significant of which are:

- We elected the package of practical expedients available for transition that allow us to not reassess whether expired or existing contracts contain leases under the new definition of a lease, lease classification for expired or existing leases and whether previously capitalized initial direct costs would qualify for capitalization under ASC 842.
- We did not elect to use hindsight when considering judgments and estimates such as assessments of lessee options to extend or terminate a lease or purchase the underlying asset.
- For all asset classes, we elected to not recognize a right-of-use asset and lease liability for short-term leases (i.e. leases with a term of 12 months or less).
- For all asset classes, we elected to not separate non-lease components from lease components to which they relate and have accounted for the combined lease and non-lease components as a single lease component.
- The determination of the discount rate used in a lease is our incremental borrowing rate that is based on what we would normally pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments.

Supplemental balance sheet information related to operating leases was as follows:

<i>(in thousands)</i>	November 30, 2020	May 31, 2020
Right of use - assets	\$ 1,540	\$ 1,952
Lease liabilities - current	444	1,054
Lease liabilities - non-current	1,062	913

The weighted average remaining lease term and weighted average discount rate were as follows:

	November 30, 2020	May 31, 2020
Weighted average remaining lease term	2.4 years	2.5 years
Weighted average discount rate	3.1%	3.2%

Operating lease expenses are classified as cost of revenues or operating expenses on the consolidated statements of income. The components of lease expense were as follows:

<i>(in thousands)</i>	Three Months Ended November 30,		Six Months Ended November 30,	
	2020	2019	2020	2019
Operating leases	\$ 440	\$ 333	\$ 645	\$ 573
Short term leases	16	34	60	81
Total lease expense	<u>\$ 456</u>	<u>\$ 367</u>	<u>\$ 705</u>	<u>\$ 654</u>

Cash paid for amounts included in the measurement of lease liabilities for operating leases included in cash flows from operations on the statement of cash flows were approximately \$643,000 and \$558,000 for the six months ended November 30, 2020 and 2019, respectively. There were no non-cash additions to right-of-use assets obtained from new operating lease liabilities for the six months ended November 30, 2020.

Undiscounted minimum lease payments as of November 30, 2020 were as follows (in thousands):

	<u>Amount</u>
Years ending May 31, 2021 (1)	\$ 444
2022	613
2023	338
2024	169
2025	44
2026 and thereafter	—
Total lease payments	1,608
Less: imputed interest	101
Total lease liabilities	<u>\$1,507</u>

(1) Excluding the six months ended November 30, 2020.

## 5. REVENUE RECOGNITION

The Company determines the amount of revenue to be recognized through application of the following steps:

- Identification of the contract with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, the Company satisfies the performance obligations.

Essentially all of Neogen's revenue is generated through contracts with its customers. A performance obligation is a promise in a contract to transfer a product or service to a customer. We generally recognized revenue at a point in time when all of our performance obligations under the terms of a contract are satisfied. Revenue is recognized upon transfer of control of promised products and services in an amount that reflects the consideration we expect to receive in exchange for those products or services. The collectability of consideration on the contract is reasonably assured before revenue is recognized. To the extent that customer payment has been received before all recognition criteria are met, these revenues are initially deferred in other accruals on the balance sheet and the revenue is recognized in the period that all recognition criteria have been met.

Certain agreements with customers include discounts or rebates on the sale of products and services applied retrospectively, such as volume rebates achieved by purchasing a specified purchase threshold of goods and services. We account for these discounts as variable consideration and estimate the likelihood of a customer meeting the threshold in order to determine the transaction price using the most predictive approach. We typically use the most-likely-amount method, for incentives that are offered to individual customers, and the expected-value method, for programs that are offered to a broad group of customers. Variable consideration reduces the amount of revenue that is recognized. Rebate obligations related to customer incentive programs are recorded in accrued liabilities; the rebate estimates are adjusted at the end of each applicable measurement period based on information currently available.

The performance obligations in Neogen's contracts are generally satisfied well within one year of contract inception. In such cases, management has elected the practical expedient to not adjust the promised amount of consideration for the effects of a significant financing component. Management has elected to utilize the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred because the amortization period for the prepaid costs that would otherwise have been deferred and amortized is one year or less. We account for shipping and handling for products as a fulfillment activity when goods are shipped. Shipping and handling costs that are charged to and reimbursed by the customer are recognized as revenues, while the related expenses incurred by Neogen are recorded in sales and marketing expense. Revenue is recognized net of any tax collected from customers; the taxes are subsequently remitted to governmental authorities. Our terms and conditions of sale generally do not provide for returns of product or reperformance of service except in the case of quality or warranty issues. These situations are infrequent; due to immateriality of the amount, warranty claims are recorded in the period incurred.

The Company derives revenue from two primary sources - product revenue and service revenue.

Product revenue consists of shipments of:

- Diagnostic test kits, dehydrated culture media and related products used by food producers and processors to detect harmful natural toxins, foodborne bacteria, allergens and levels of general sanitation;
- Consumable products marketed to veterinarians, retailers, livestock producers and animal health product distributors; and
- Rodenticides, disinfectants and insecticides to assist in the control of rodents, insects and disease in and around agricultural, food production and other facilities.

Revenues for our products are recognized and invoiced when the product is shipped to the customer.

Service revenue consists primarily of:

- Genomic identification and related interpretive bioinformatic services; and
- Other commercial laboratory services.

Revenues for Neogen's genomics and commercial laboratory services are recognized and invoiced when the applicable laboratory service is performed and the results are conveyed to the customer.

Payment terms for products and services are generally 30 to 60 days.

The following table presents disaggregated revenue by major product and service categories for the three and six month periods ended November 30, 2020 and 2019:

<i>(in thousands)</i>	<b>Three Months ended November 30,</b>		<b>Six Months ended November 30,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Food Safety</b>				
Natural Toxins, Allergens & Drug Residues	\$ 20,001	\$ 20,681	\$ 39,016	\$ 40,796
Bacterial & General Sanitation	11,235	11,615	21,166	21,931
Culture Media & Other	13,296	12,757	24,689	24,037
Rodenticides, Insecticides & Disinfectants	7,978	7,447	17,586	12,896
Genomics Services	5,024	4,354	9,262	8,216
	<u>\$ 57,534</u>	<u>\$ 56,854</u>	<u>\$ 111,719</u>	<u>\$ 107,876</u>
<b>Animal Safety</b>				
Life Sciences	\$ 1,398	\$ 1,803	\$ 2,723	\$ 3,525
Veterinary Instruments & Disposables	11,974	10,486	22,349	21,822
Animal Care & Other	9,371	7,787	17,029	14,193
Rodenticides, Insecticides & Disinfectants	18,471	16,186	38,385	32,904
Genomics Services	16,252	14,687	32,120	28,907
	<u>\$ 57,466</u>	<u>\$ 50,949</u>	<u>\$ 112,606</u>	<u>\$ 101,351</u>
<b>Total Revenues</b>	<u><u>\$ 115,000</u></u>	<u><u>\$ 107,803</u></u>	<u><u>\$ 224,325</u></u>	<u><u>\$ 209,227</u></u>

## 6. NET INCOME PER SHARE

The calculation of net income per share follows:

<i>(in thousands, except per share amounts)</i>	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>November 30,</b>	<b>November 30,</b>	<b>November 30,</b>	<b>November 30,</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Numerator for basic and diluted net income per share:</b>				
Net income attributable to Neogen	\$ 15,885	\$ 16,276	\$ 31,745	\$ 30,928
<b>Denominator for basic net income per share:</b>				
Weighted average shares	53,129	52,557	53,022	52,355
Effect of dilutive stock options and RSUs	275	319	278	357
Denominator for diluted net income per share	<u>53,404</u>	<u>52,876</u>	<u>53,300</u>	<u>52,712</u>
<b>Net income attributable to Neogen per share:</b>				
Basic	<u>\$ 0.30</u>	<u>\$ 0.31</u>	<u>\$ 0.60</u>	<u>\$ 0.59</u>
Diluted	<u>\$ 0.30</u>	<u>\$ 0.31</u>	<u>\$ 0.60</u>	<u>\$ 0.59</u>

## 7. SEGMENT INFORMATION AND GEOGRAPHIC DATA

We have two reportable segments: Food Safety and Animal Safety. The Food Safety segment is primarily engaged in the development, production and marketing of diagnostic test kits, culture media and related products used by food producers and processors to detect harmful natural toxins, foodborne bacteria, allergens and levels of general sanitation. The Animal Safety segment is primarily engaged in the development, production and marketing of products dedicated to animal safety, including a complete line of consumable products marketed to veterinarians and animal health product distributors; this segment also provides genomic identification and related interpretive bioinformatic services. Additionally, the Animal Safety segment produces and markets rodenticides, disinfectants and insecticides to assist in the control of rodents, insects and disease in and around agricultural, food production and other facilities.

Our international operations in the United Kingdom, Mexico, Brazil, China and India originally focused on the Company's food safety products, and each of these units reports through the Food Safety segment. In recent years, these operations have expanded to offer our complete line of products and services, including those usually associated with the Animal Safety segment such as cleaners, disinfectants, rodenticides, insecticides, veterinary instruments and genomics services. These additional products and services are managed and directed by existing management and are reported through the Food Safety segment.

Neogen's operation in Australia originally focused on providing genomics services and sales of animal safety products and reports through the Animal Safety segment. With the acquisition of Cell BioSciences in February 2020, this operation has expanded to offer our complete line of products and services, including those usually associated with the Food Safety segment. These additional products are managed and directed by existing management at Neogen Australasia and report through the Animal Safety segment.

The accounting policies of each of the segments are the same as those described in Note 1.

Segment information follows:

<i>(in thousands)</i>	<u>Food Safety</u>	<u>Animal Safety</u>	<u>Corporate and Eliminations (1)</u>	<u>Total</u>
<b>As of and for the three months ended November 30, 2020</b>				
Product revenues to external customers	\$ 51,323	\$ 41,214	\$ —	\$ 92,537
Service revenues to external customers	6,211	16,252	—	22,463
Total revenues to external customers	57,534	57,466	—	115,000
Operating income (loss)	8,960	12,246	(1,961)	19,245
Total assets	226,735	228,126	390,765	845,626
<b>As of and for the three months ended November 30, 2019</b>				
Product revenues to external customers	\$ 51,188	\$ 36,199	\$ —	\$ 87,387
Service revenues to external customers	5,666	14,750	—	20,416
Total revenues to external customers	56,854	50,949	—	107,803
Operating income (loss)	9,556	9,729	(1,013)	18,272
Total assets	212,928	224,058	313,605	750,591

- (1) Includes corporate assets, consisting principally of cash and cash equivalents, marketable securities, current and deferred tax accounts and overhead expenses not allocated to specific business segments. Also includes the elimination of intersegment transactions.

<i>(in thousands)</i>	<b>Food Safety</b>	<b>Animal Safety</b>	<b>Corporate and Eliminations (1)</b>	<b>Total</b>
<b>As of and for the six months ended November 30, 2020</b>				
Product revenues to external customers	\$ 99,986	\$ 80,486	\$ —	\$180,472
Service revenues to external customers	<u>11,733</u>	<u>32,120</u>	<u>—</u>	<u>43,853</u>
Total revenues to external customers	111,719	112,606	—	224,325
Operating income (loss)	16,923	24,411	(3,194)	38,140
<b>As of and for the six months ended November 30, 2019</b>				
Product revenues to external customers	\$ 97,065	\$ 72,270	\$ —	\$169,335
Service revenues to external customers	<u>10,811</u>	<u>29,081</u>	<u>—</u>	<u>39,892</u>
Total revenues to external customers	107,876	101,351	—	209,227
Operating income (loss)	18,690	18,029	(2,183)	34,536

(1) Includes elimination of intersegment transactions.

The following table presents the Company's revenue disaggregated by geographic location:

<i>(in thousands)</i>	<b>Three months ended November 30,</b>		<b>Six months ended November 30,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Domestic	\$ 69,832	\$ 63,317	\$137,156	\$126,657
International	<u>45,168</u>	<u>44,486</u>	<u>87,169</u>	<u>82,570</u>
Total revenue	<u>115,000</u>	<u>107,803</u>	<u>224,325</u>	<u>209,227</u>

## 8. EQUITY COMPENSATION PLANS

Incentive and non-qualified options to purchase shares of common stock have been granted to directors, officers and employees of Neogen under the terms of the Company's stock option plans. These options are granted at an exercise price of not less than the fair market value of the stock on the date of grant. Options vest ratably over three and five year periods and the contractual terms are generally five or ten years. A summary of stock option activity during the six months ended November 30, 2020 follows:

<i>(Options in thousands)</i>	<u>Shares</u>	<u>Weighted-Average Exercise Price</u>
Options outstanding June 1, 2020	2,162	\$ 55.96
Granted	202	68.47
Exercised	(294)	42.04
Forfeited	(160)	57.26
Options outstanding November 30, 2020	1,910	\$ 59.29

The weighted-average fair value per share of stock options granted during the first six months of fiscal years 2021 and 2020, estimated on the date of grant using the Black-Scholes option pricing model, was \$15.41 and \$15.56, respectively. The fair value of stock options granted was estimated using the following weighted-average assumptions.

	<u>FY 2021</u>
Risk-free interest rate	0.2%
Expected dividend yield	0.0%
Expected stock price volatility	31.3%
Expected option life	3.25 years

The company granted 59,125 restricted stock units (RSUs) to directors, officers and employees under the terms of the 2018 Omnibus Incentive Plan in October 2020, which vest ratably over three and five year periods. The current units have a weighted average value of \$68.43 per share and will be expensed straight-line over the remaining weighted-average period of 4.72 years. On November 30, 2020 there was \$3,262,000 in unamortized compensation cost related to non-vested RSUs.

During the three and six month periods ended November 30, 2020 and 2019, the Company recorded \$1,511,000 and \$1,612,000 and \$3,192,000 and \$3,155,000, respectively, of compensation expense related to its share-based awards.

The Company offers eligible employees the option to purchase common stock at a 5% discount to the lower of the market value of the stock at the beginning or end of each participation period under the terms of the 2011 Employee Stock Purchase Plan; the discount is recorded in general and administrative expense. Total individual purchases in any year are limited to 10% of compensation.

## 9. BUSINESS AND PRODUCT LINE ACQUISITIONS

The Consolidated Statements of Income reflect the results of operations for business acquisitions since the respective dates of purchase. All are accounted for using the acquisition method. Goodwill recognized in the acquisitions discussed below relates primarily to enhancing the Company's strategic platform for the expansion of available product offerings.

On January 1, 2020, the Company acquired all of the stock of Productos Quimicos Magiar, a distributor of Neogen's Food Safety products for the past 20 years, located in Argentina. This acquisition gives Neogen a direct sales presence in Argentina. Consideration for the purchase was \$3,776,000 in net cash, with \$3,237,000 paid at closing and \$540,000 payable to the former owner on January 1, 2022, and up to \$979,000 of contingent consideration, payable in one year, based upon an excess net sales formula. The preliminary purchase price allocation, based upon the fair value of these assets and liabilities determined using the income approach, included accounts receivable of \$603,000, inventory of \$446,000, machinery and equipment of \$36,000, other current assets of \$221,000, accounts payable of \$383,000, other current liabilities of \$312,000, contingent consideration accrual of \$640,000, non-current deferred tax liabilities of \$441,000, intangible assets of \$1,471,000 (with an estimated life of 5-10 years) and the remainder to goodwill (non-deductible for tax purposes). These values are Level 3 fair value measurements. This operation continues to operate from its current location in Buenos Aires, Argentina, reporting within the Food Safety segment. It is managed through Neogen's Latin America operation.

On January 1, 2020, the Company acquired all of the stock of Productos Quimicos Magiar, a distributor of Neogen's Food Safety products for the past 20 years, located in Uruguay. This acquisition gives Neogen a direct sales presence in Uruguay. Consideration for the purchase was \$1,488,000 in net cash, with \$1,278,000 paid at closing and \$210,000 payable to the former owner on January 1, 2022, and up to \$241,000 in contingent consideration, payable in one year, based upon an excess net sales formula. The preliminary purchase price allocation, based upon the fair value of these assets and liabilities determined using the income approach, included accounts receivable of \$280,000, inventory of \$174,000, machinery and equipment of \$16,000, other current assets of \$68,000, accounts payable of \$204,000, other current liabilities of \$11,000, contingent consideration accrual of \$159,000, non-current deferred tax liabilities of \$99,000, intangible assets of \$398,000 (with an estimated life of 5-10 years) and the remainder to goodwill (non-deductible for tax purposes). These values are Level 3 fair value measurements. This operation continues to operate from its current location in Montevideo, Uruguay, reporting within the Food Safety segment. It is managed through Neogen's Latin America operation.

On January 9, 2020, the Company acquired all of the stock of Diessechem Srl, a distributor of food and feed diagnostics for the past 27 years, located in Italy. This acquisition gives Neogen a direct sales presence in Italy. Consideration for the purchase was \$3,455,000 in net cash. The preliminary purchase price allocation, based upon the fair value of these assets and liabilities determined using the income approach, included accounts receivable of \$780,000, inventory of \$5,000, other current assets of \$160,000, accounts payable of \$140,000, other current liabilities of \$305,000, non-current deferred tax liabilities of \$294,000, intangible assets of \$1,225,000 (with an estimated life of 5-10 years) and the remainder to goodwill (non-deductible for tax purposes). These values are Level 3 fair value measurements. This operation continues to operate from its current location in Milan, Italy, reporting within the Food Safety segment. It is managed through Neogen's Scotland operation.

On January 31, 2020, the Company acquired all of the stock of Abtek Biologicals Limited, a manufacturer and supplier of culture media supplements and microbiology technologies. This acquisition enhances the Company's culture media product line offering for the worldwide industrial microbiology markets. Consideration for the purchase was \$1,401,000 in net cash, with \$1,282,000 paid at closing and \$119,000 payable to the former owner on January 31, 2021. The preliminary purchase price allocation, based upon the fair value of these assets and liabilities determined using the income approach, included accounts receivable of \$135,000, inventory of \$207,000, machinery and equipment of \$105,000, prepayments of \$6,000, accounts payable of \$118,000, other current liabilities of \$34,000, non-current deferred tax liabilities of \$92,000, intangible assets of \$484,000 (with an estimated life of 5-10 years) and the remainder to goodwill (non-deductible for tax purposes). These values are Level 3 fair value measurements. This manufacturing operation continues to operate from its current location in Liverpool, England, reporting within the Food Safety segment. It is managed through Neogen's Scotland operation.

On February 28, 2020, the Company acquired the assets of Cell BioSciences, an Australian distributor of food safety and industrial microbiology products. This acquisition gave Neogen a direct sales presence across Australasia for its entire product portfolio. Consideration for the purchase was \$3,768,000 in cash, with \$3,596,000 paid at closing and \$172,000 payable in one year. The preliminary purchase price allocation, based upon the fair value of these assets and liabilities determined using the income approach, included inventory of \$420,000, unearned revenue liability of \$13,000, intangible assets of \$1,338,000 (with an estimated life of 3 to 10 years) and the remainder to goodwill (non-deductible for tax purposes). The business operates in Gatton, Australia, reporting within the Australian operations in the Animal Safety segment.

On March 26, 2020, the Company acquired the assets of Chile-based Magiar Chilena, a distributor of food, animal and plant diagnostics, including Neogen products. This acquisition gives Neogen a direct sales presence in Chile. Consideration for the purchase was \$400,000 in cash, with \$350,000 paid at closing and \$50,000 payable to the former owner on March 26, 2021. The preliminary purchase price allocation, based upon the fair value of these assets and liabilities determined using the income approach, included inventory of \$164,000, machinery and equipment of \$53,000, and intangible assets of \$183,000 (with an estimated life of 5-10 years). The business is operated from its current location in Santiago, Chile, reporting within the Food Safety segment. It is managed through Neogen's Latin America operation.

On July 31, 2020, the Company acquired the U.S. (including territories) rights to Elanco's StandGuard Pour-on for horn fly and lice control in beef cattle, and related assets. This product line fits in well with Neogen's existing agricultural insecticide portfolio and organizational capabilities. Consideration for the purchase was \$2,351,000 in cash, all paid at closing. The preliminary purchase price allocation, based upon the fair value of these assets determined using the income approach, included inventory of \$51,000 and intangible assets of \$2,300,000 (with an estimated life of 15 years). This product line is currently being toll manufactured for the Company but is eventually expected to be manufactured at Neogen's operation in Iowa; the sales are reported within the Animal Safety segment.

For each acquisition listed above, the revenues and net income were not considered material and were therefore not disclosed.

## **10. LONG TERM DEBT**

We have a financing agreement with a bank providing for a \$15,000,000 unsecured revolving line of credit, which was amended in the second quarter to extend the expiration to November 30, 2023. There were no advances against the line of credit during fiscal 2020 and there have been none thus far in fiscal 2021; there was no balance outstanding at November 30, 2020. Interest on any borrowings is calculated at LIBOR plus 100 basis points (rate under the terms of the agreement was 1.19% at November 30, 2020). Financial covenants include maintaining specified levels of tangible net worth, debt service coverage, and funded debt to EBITDA, each of which the Company was in compliance with at November 30, 2020.

## **11. COMMITMENTS AND CONTINGENCIES**

The Company is involved in environmental remediation and monitoring activities at its Randolph, Wisconsin manufacturing facility and accrues for related costs when such costs are determined to be probable and estimable. The Company currently utilizes a pump and treat remediation strategy, which includes semi-annual monitoring and reporting, consulting, and maintenance of monitoring wells. Neogen expenses these annual costs of remediation, which have ranged from \$38,000 to \$131,000 per year over the past five years. The Company's estimated liability for these costs was \$916,000 at both November 30, 2020 and May 31, 2020, measured on an undiscounted basis over an estimated period of 15 years; \$100,000 of the liability is recorded within current liabilities and the remainder is recorded within other non-current liabilities on the consolidated balance sheets. In fiscal 2019, the Company performed an updated Corrective Measures Study (CMS) on the site, per a request from the Wisconsin Department of Natural Resources (WDNR), and is in discussion with the WDNR regarding potential alternative remediation strategies going forward. The Company believes that the current pump and treat strategy is appropriate for the site. At this time, the outcome of the review in terms of approach and future costs is unknown, but a change in the current remediation strategy, depending on the alternative selected, could require an increase in the recorded liability, with an offsetting charge to operations in the period recorded.

The Company is subject to certain legal and other proceedings in the normal course of business that, in the opinion of management, should not have a material effect on its future results of operations or financial position.

## **PART I – FINANCIAL INFORMATION**

### **Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

The information in this Management’s Discussion and Analysis of Financial Condition and Results of Operations contains both historical financial information and forward-looking statements. Neogen does not provide forecasts of future financial performance. While management is optimistic about the Company’s long-term prospects, historical financial information may not be indicative of future financial results.

#### **Safe Harbor and Forward-Looking Statements**

Forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, are made throughout this Quarterly Report on Form 10-Q. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, the words “believes,” “anticipates,” “plans,” “expects,” “seeks,” “estimates,” and similar expressions are intended to identify forward-looking statements. There are a number of important factors, including competition, recruitment and dependence on key employees, impact of weather on agriculture and food production, effects of the ongoing COVID-19 pandemic on our business, identification and integration of acquisitions, research and development risks, patent and trade secret protection, government regulation and other risks detailed from time to time in the Company’s reports on file at the Securities and Exchange Commission, that could cause Neogen Corporation’s results to differ materially from those indicated by such forward-looking statements, including those detailed in this “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

In addition, any forward-looking statements represent management’s views only as of the day this Quarterly Report on Form 10-Q was first filed with the Securities and Exchange Commission and should not be relied upon as representing management’s views as of any subsequent date. While management may elect to update forward-looking statements at some point in the future, it specifically disclaims any obligation to do so, even if its views change.

#### **COVID-19**

As we closely monitor the COVID-19 pandemic, our top priority remains protecting the health and safety of our employees. While essential operations continue in our locations around the world, the majority of our non-manufacturing and distribution employees continue to work remotely and travel remains restricted. Safety guidelines and procedures, including social distancing and enhanced cleaning, have been developed for on-site employees and these policies are regularly monitored and updated by our internal Emergency Response Team.

In the second quarter of fiscal 2021, the COVID-19 pandemic continued to impact our business operations and financial results. There has been a positive impact in sales of our Biosecurity product lines, as the pandemic has created increased demand for these products, and sales into Companion Animal markets have benefitted, as remote work and stay at home orders have driven increased pet ownership. A number of our food safety diagnostic product lines have been negatively impacted due to decreased demand in many of our customers’ businesses, particularly those serving restaurants, bars and other institutional food service markets; supply chain difficulties including vendor disruptions, border closures and shipping issues; and restricted travel, which hinders our ability to connect with customers. We expect the COVID-19 pandemic will continue to impact our business operations and financial results through the end of our current fiscal year.

## Executive Overview

- Consolidated revenues were \$115.0 million in the second quarter of fiscal 2021, an increase of 7% compared to \$107.8 million in the second quarter of fiscal 2020. Organic sales growth in the second quarter of fiscal 2021 was 5%. For the six month period, consolidated revenues were \$224.3 million, an increase of 7% compared to \$209.2 million in the same period in the prior fiscal year. On a year to date basis, organic sales rose 5%.
- Food Safety segment sales were \$57.5 million in the second quarter of fiscal 2021, an increase of 1% compared to \$56.9 million in the same period a year ago. Organic sales in this segment decreased 1% for the comparative period, with revenues from the acquisitions of Neogen Italia (January 2020), Neogen Argentina (January 2020), Neogen Uruguay (January 2020), Abtek (January 2020) and Neogen Chile (March 2020) providing the increase in revenues for the segment. For the year to date, Food Safety segment sales were \$111.7 million, an increase of 4% compared to \$107.9 million in the same period of the prior fiscal year; the organic sales increase was 1% for the comparative period, with the acquisitions listed above providing the additional contributions to revenue.
- Animal Safety segment sales were \$57.5 million in the second quarter of fiscal 2021, an increase of 13% compared to \$50.9 million in the second quarter of fiscal 2020. Organic sales in this segment rose 11% in the second quarter, with additional contribution from the August 2020 acquisition of the StandGuard product line. For the six month period, Animal Safety segment sales were \$112.6 million, an increase of 11% compared to \$101.4 million in the same period a year ago. Year to date organic sales rose 10%, with revenues from the StandGuard acquisition contributing the difference.
- International sales in the second quarter of fiscal 2021 were 39% of total sales compared to 41% of total sales in the second quarter of fiscal 2020. For the year to date, fiscal 2021 international sales were also 39% of total sales compared to 39% of total sales in the same period of the prior year.
- Our effective tax rate in the second quarter was 17.8% compared to an effective tax rate of 15.3% in the prior year second quarter; the fiscal 2021 year to date effective tax rate was 18.9% compared to 16.1% for the same period a year ago.
- Net income for the quarter ended November 30, 2020 was \$15.9 million, or \$0.30 per diluted share, compared to \$16.3 million, or \$0.31 per diluted share in the same period in the prior year. For the year to date, net income was \$31.7 million, or \$0.60 per diluted share, an increase of 3% compared to prior year to date net income of \$30.9 million, or \$0.59 per diluted share.
- Cash provided from operating activities in the first six months of fiscal 2021 was \$47.5 million, compared to \$40.5 million in the first half of fiscal 2020.

International sales rose 2% in the second quarter of fiscal 2021 and increased 6% for the year to date, each compared to the same respective period in the prior year. Revenue changes, expressed in percentages, for the three and six month periods of fiscal 2021 compared to the same respective periods in the prior year are as follows for each of our international locations:

	Three Months Ended November 30, 2020		Six Months Ended November 30, 2020	
	Revenue % Inc (Dec)	Revenue % Inc (Dec)	Revenue % Inc (Dec)	Revenue % Inc (Dec)
	USD	Local Currency	USD	Local Currency
<i>U.K Operations</i>	9%	6%	15%	12%
<i>Brazil Operations</i>	(22)%	4%	(11)%	19%
<i>Neogen Latinoamerica</i>	13%	23%	6%	18%
<i>Neogen China</i>	59%	51%	77%	72%
<i>Neogen India</i>	5%	8%	7%	12%
<i>Neogen Canada</i>	(17)%	(17)%	(14)%	(14)%
<i>Neogen Australasia</i>	81%	71%	74%	67%

Currency translations reduced comparative revenues by approximately \$1.2 million in the second quarter of fiscal 2021 and \$3.3 million for the year to date, both compared to the same periods a year ago, primarily due to the increased strength of the U.S. dollar relative to the Brazilian real and the Mexican peso. Combined revenues at our U.K. operations increased 9% in the second quarter, resulting from ongoing strength in biosecurity products as the COVID-19 pandemic has continued to drive sales; the 15% year to date revenue increase was also primarily from biosecurity products as there was a large sale of hand sanitizers to the U.K. government's health organization in the first quarter of this fiscal year.

Sales in Brazil decreased 22% in this year's second quarter, as a large sale of insecticides in the prior year second quarter did not recur this year, and as a result of adverse currency impact due to the 25% devaluation of the real against the dollar; in local currency, sales rose 4%. For the six month period, sales at our Brazilian operations decreased 11% compared to the prior year, but increased 19% in local currency. Neogen Latinoamerica sales rose 13% for the second quarter, primarily due to increases in biosecurity products and genomics services, which offset some weakness in our food safety diagnostic kit markets caused by the COVID-19 pandemic; this operation was also negatively impacted by currency as the revenue increase in local currency was 23%. The Neogen Australasia location benefitted from the February 2020 acquisition of a food safety distributor; the organic revenue increase at this location was 53% in the second quarter and 51% for the year to date period as this operation also recorded strong sales growth of genomics services in the bovine, companion animal and sheep markets.

Service revenue was \$22.5 million in the second quarter of fiscal 2021, an increase of 10% over prior year second quarter revenues of \$20.4 million. For the six month period, service revenue was \$43.9 million, also an increase of 10% over prior year revenues of \$39.9 million. The growth in the quarter was led by increases of genomics revenues to the U.S. companion animal market and the bovine, companion animal and sheep markets in Australia; we also had strong growth in genomics revenues in the Chinese porcine and bovine markets as that country is recovering from the COVID-19 and African swine fever outbreaks.

## Revenues

<i>(in thousands)</i>	Three Months Ended November 30,			
	2020	2019	Increase/ (Decrease)	%
<b>Food Safety</b>				
Natural Toxins, Allergens & Drug Residues	\$ 20,001	\$ 20,681	\$ (680)	(3)%
Bacterial & General Sanitation	11,235	11,615	(380)	(3)%
Culture Media & Other	13,296	12,757	539	4%
Rodenticides, Insecticides & Disinfectants	7,978	7,447	531	7%
Genomics Services	5,024	4,354	670	15%
	<u>\$ 57,534</u>	<u>\$ 56,854</u>	<u>\$ 680</u>	<u>1%</u>
<b>Animal Safety</b>				
Life Sciences	\$ 1,398	\$ 1,803	\$ (405)	(22)%
Veterinary Instruments & Disposables	11,974	10,486	1,488	14%
Animal Care & Other	9,371	7,787	1,584	20%
Rodenticides, Insecticides & Disinfectants	18,471	16,186	2,285	14%
Genomics Services	16,252	14,687	1,565	11%
	<u>\$ 57,466</u>	<u>\$ 50,949</u>	<u>\$ 6,517</u>	<u>13%</u>
<b>Total Revenues</b>	<u>\$115,000</u>	<u>\$107,803</u>	<u>\$ 7,197</u>	<u>7%</u>

<i>(in thousands)</i>	Six Months Ended November 30,			
	2020	2019	Increase/ (Decrease)	%
<b>Food Safety</b>				
Natural Toxins, Allergens & Drug Residues	\$ 39,016	\$ 40,796	\$ (1,780)	(4)%
Bacterial & General Sanitation	21,166	21,931	(765)	(3)%
Culture Media & Other	24,689	24,037	652	3%
Rodenticides, Insecticides & Disinfectants	17,586	12,896	4,690	36%
Genomics Services	9,262	8,216	1,046	13%
	<u>\$111,719</u>	<u>\$107,876</u>	<u>\$ 3,843</u>	<u>4%</u>
<b>Animal Safety</b>				
Life Sciences	\$ 2,723	\$ 3,525	\$ (802)	(23)%
Veterinary Instruments & Disposables	22,349	21,822	527	2%
Animal Care & Other	17,029	14,193	2,836	20%
Rodenticides, Insecticides & Disinfectants	38,385	32,904	5,481	17%
Genomics Services	32,120	28,907	3,213	11%
	<u>\$112,606</u>	<u>\$101,351</u>	<u>\$ 11,255</u>	<u>11%</u>
<b>Total Revenues</b>	<u>\$224,325</u>	<u>\$209,227</u>	<u>\$ 15,098</u>	<u>7%</u>

## **Food Safety**

**Natural Toxins, Allergens & Drug Residues** – Sales in this category decreased 3% and 4% for the three and six month periods ended November 30, 2020, respectively, compared to the same periods in the prior year. In the second quarter, sales of our drug residue test kits declined 27% as demand in Eastern Europe weakened and we transition from selling through an exclusive distributor to an in-house sales team. The allergens product line increased 1% and has been negatively impacted by competitive pressure and COVID-19, as many of our customers have experienced production disruptions and slowdowns. Natural toxin test kit revenues were flat, primarily due to relatively clean crops during this harvest season.

**Bacterial & General Sanitation** – Revenues in this category decreased 3% in both the second quarter and for the year to date, compared to the same periods in the prior year. In the second quarter, sales of products to detect spoilage organisms in processed foods increased 5%, resulting from sales of our new instrument which launched in the first quarter. Sales of our AccuPoint sanitation monitoring product line decreased 8%; we plan to launch a next generation of reader for this product line towards the end of the third quarter at which time there will be significant sales and marketing focus on these products. Sales of products to detect pathogens decreased 8%, primarily due to strong equipment sales in the prior year's second quarter. For the year to date, sales of products to detect spoilage organisms increased 10%, on strong equipment sales, while sales of our AccuPoint product line decreased 7% and pathogen test kit revenues decreased 13%.

**Culture Media & Other** – Sales in this category increased 4% in the quarter ended November 30, 2020 compared to the second quarter in the prior year; for the six month period, sales increased 3%. This category includes sales of veterinary personal protective equipment, primarily gloves, as well as hand sanitizers and sanitizing wipes; these products experienced increased demand in new markets due to shortages caused by the COVID-19 pandemic. This category also includes sales of acquired inventory of non-Neogen manufactured products from our new businesses in Italy and the Southern Cone countries; these sales are not expected to continue long-term. Sales of Neogen Culture Media decreased 3% and 6% for the quarter and year to date periods, respectively, primarily due to continued weakness in end demand at a number of our large U.S. customers.

**Rodenticides, Insecticides & Disinfectants** – Revenues in this category increased 7% in the second quarter of fiscal 2021 compared to the same period a year ago, due primarily to continued strength in cleaners and disinfectants in China resulting from increased demand from the African swine fever outbreak in that country and the COVID-19 pandemic; there was also a large sale of rodenticides to a distributor in Mexico. The growth in the current year second quarter was partially offset by large non-recurring sales of insecticide products to governmental agencies in Brazil in the prior year. For the year to date, sales in this category increased 36%, as the first quarter included strong sales of hand and skin sanitizing products at our U.K. based Quat-Chem operation and a large one-time insecticide order at our Brazil operation.

**Genomics Services** – Sales of genomics services sold through our international Food Safety operations increased 15% and 13% for the three and six month periods ended November 30, 2020, respectively. The increase for both periods was primarily from sales increases in China, due to increased testing in the pork industry, gains in beef and dairy cattle testing and project work in aquaculture.

## **Animal Safety**

**Life Sciences** – Sales in this category decreased 22% in the second quarter, compared to the same period in the prior year; for the year to date, the decrease in this product line is 23%. The decline in both periods is due primarily to lower sales of drug test kits to commercial laboratories, as they processed fewer samples due to slowdowns from the COVID-19 pandemic.

**Veterinary Instruments & Disposables** – Revenues in this category increased 14% for the three month period ended November 30, 2020, led by large increases in detectable needles, as we gained new customers, and syringes, resulting from increased demand in existing markets. For the year to date period sales increased 2%, due to lower demand of these products in the first quarter at our larger animal health distributors.

**Animal Care & Other** – Sales of these products increased 20% in both the three and six month periods ended November 30, 2020, respectively. For both periods, sales of our vitamin injectables, equine supplements and joint pain products benefitted from growth in veterinary markets, as the COVID-19 pandemic has led to an increase in pet ownership. Partially offsetting these gains was a decline in sales of dairy supplies of 57% and 41% for the quarter and year to date periods, respectively, due to the June 2020 termination of an agreement in which we distributed these types of products for a large manufacturer of dairy equipment.

**Rodenticides, Insecticides & Disinfectants** – Revenues in this category increased 14% for the three month period ended November 30, 2020, led by a 24% increase in rodenticide sales into new markets as rodent pressure in certain areas of the U.S. increased significantly. Insecticide sales rose 10% in the quarter, due in part to our acquisition of the StandGuard product line from Elanco on July 31, 2020. Cleaners and disinfectants sales increased 4% as growth in hand sanitizer products in the U.S. was offset by lower sales of water treatment products and the transfer of a product line to our U.K. operation. Sales of these products for the year to date period increased 17%, as compared to a year ago, for the same reasons.

**Genomics Services** – Sales in this category increased 11% in both the second quarter and the year to date periods, each compared to the prior year. The growth in both the three and six month periods was led by increases of sales to the companion animal market due to product uptake at a large U.S. customer, driven by increased pet adoptions and higher consumer spending on pets during the COVID-19 pandemic. In the second quarter, we also benefitted from gains in beef testing in Australia, higher sales to bovine breed associations in the U.S. and the recent launch of a new high density chip for whiteleg shrimp.

### Gross Margin

Gross margin was 46.3% in the second quarter of fiscal 2021 compared to 47.3% in the same quarter a year ago. The change in gross margin is the result of the shift in the proportion of overall sales from the Animal Safety segment, which have lower average gross margins than the Food Safety segment; additionally, sales increases within the Food Safety segment were from product lines, such as genomics and biosecurity products, which have lower gross margins than the diagnostic test kits sold in that segment. For the year to date, gross margin was 46.1% compared to 47.4% in the same period of the prior year, for the same reasons.

### Operating Expenses

Operating expenses were \$34.0 million in the second quarter, compared to \$32.8 million in the same quarter of the prior year, an increase of \$1.2 million, or 4%. For the six month period ended November 30, 2020, operating expenses were \$65.4 million, an increase of \$692,000, or 1%, compared to the prior year. Sales and marketing expenses decreased \$259,000 in the second quarter, or 1%, primarily due to decreases in travel, trade shows and other customer facing activities as a result of the COVID-19 pandemic; for the year to date, sales and marketing expenses were 4% lower than the same period last year. General and administrative expense increased \$1.2 million, or 11%, in the second quarter, resulting primarily from \$1 million in spending on strategic consulting, legal and other professional fees related to acquisition activity for businesses which we were not ultimately successful in acquiring. Year to date, general and administrative expenses increased 7%. Research and development expense was \$4.1 million in the second quarter, an increase of \$275,000, or 7%, compared to the same period in the prior year. The increase is primarily the result of outside services for continued development spending on several new products, which have either been recently launched or are expected to be launched in the second half of fiscal 2021. For the year to date, research and development expenses increased 6% over the same period last year, for the same reasons.

### Operating Income

Operating income was \$19.2 million in the second quarter of fiscal 2021, compared to \$18.3 million in the same period of the prior year; year to date operating income was \$38.1 million compared to \$34.5 million in the prior year. Expressed as a percentage of sales, operating income was 16.7% for the second quarter and 17.0% for the year to date, compared to 16.9% and 16.5%, respectively, for the same periods in the prior year. The slight decline in operating margin percentage for the current fiscal year second quarter was due primarily to the decline in the gross margin percentage. For the year to date, the increased operating margin percentage is due to operating expenses which increased less than the overall gross margin.

### Other Income

<i>(dollars in thousands)</i>	Three Months Ended November 30,		Six Months Ended November 30,	
	2020	2019	2020	2019
Interest income (net of expense)	\$ 555	\$ 1,271	\$1,277	\$2,781
Foreign currency transactions	(432)	(352)	(256)	(469)
Insurance settlement	309	—	—	—
Legal settlement	(300)	—	—	—
Other	(42)	35	(16)	30
<b>Total Other Income</b>	<u>\$ 90</u>	<u>\$ 954</u>	<u>\$1,005</u>	<u>\$2,342</u>

The decrease in interest income in both the three and six month periods of fiscal 2021 compared to the same periods a year ago was the result of a significant reduction in rates earned on marketable securities balances. Other expense resulting from foreign currency transactions was the result of changes in the value of foreign currencies relative to the U.S. dollar in countries in which we operate.

## **Income Tax Expense**

Income tax expense in the second quarter of fiscal 2021 was \$3.5 million, an effective tax rate of 17.8%, compared to \$3.0 million, an effective tax rate of 15.3%, in the same period of the prior year. For the year to date, income tax expense was \$7.4 million, an effective rate of 18.9%, in fiscal 2021 and \$6.0 million, an effective rate of 16.1%, in fiscal 2020. For each period, the primary difference between the statutory rate of 21% and the effective rates recorded is the benefit resulting from the exercise of stock options; this benefit was \$1,060,000 in the second quarter of fiscal 2021 compared to \$1,204,000 in the second quarter of the prior year. For the year to date, the benefit was \$1,481,000 in fiscal 2021 compared to \$1,973,000 in fiscal 2020. The increase in the effective tax rate for both the second quarter and year to date periods is the result of lower benefit from stock option exercises, increased taxes at international operations and a lower projected U.S. deduction in fiscal 2021 relating to foreign derived income.

## **Net Income**

Net income was \$15.9 million in the second quarter of fiscal 2021, compared to \$16.3 million in the same period in the prior year. The decline in earnings for this year's second quarter was the result of the increase in the effective tax rate. For the year to date, net income increased 3% from \$30.9 million to \$31.7 million; six month net income in fiscal 2021 was also negatively impacted by a higher effective tax rate.

## **Financial Condition and Liquidity**

The overall cash, cash equivalents and marketable securities position of Neogen was \$390.8 million at November 30, 2020, compared to \$343.7 million at May 31, 2020. Approximately \$47.5 million was generated from operations during the first six months of fiscal 2021. Net cash proceeds of \$12.7 million were realized from the exercise of stock options and issuance of shares under our Employee Stock Purchase Plan during the first six months of fiscal 2021. We spent \$11.1 million for property, equipment and other non-current assets in the first half of fiscal 2021.

Net accounts receivable balances were \$79.9 million at November 30, 2020, a decrease of \$4.8 million, compared to \$84.7 million at May 31, 2020. Days sales outstanding, a measurement of the time it takes to collect receivables, were 61 days at November 30, 2020, compared to 68 days at May 31, 2020 and 65 days at November 30, 2019. We have been carefully monitoring our customer receivables as the COVID-19 pandemic has spread across our global markets; to date, we have not experienced an appreciable increase in bad debt write offs. We did provide an additional \$100,000 at May 31, 2020 in our allowance for bad debts to account for potential write offs related to COVID-19; we will continue to actively manage our customer accounts and adjust the allowance account as circumstances change.

Net inventory was \$92.5 million at November 30, 2020, a decrease of \$2.6 million, compared to a May 31, 2020 balance of \$95.1 million. We increased inventory levels in fiscal 2020 to ensure we have adequate supplies of critical raw and finished products in the event our supply chain is adversely impacted by the COVID-19 pandemic and Brexit, however we have programs in place to lower inventory levels in areas where it will not adversely affect customers.

Inflation and changing prices are not expected to have a material effect on operations, as management believes it will continue to be successful in offsetting increased input costs with price increases and/or cost efficiencies.

Management believes that our existing cash and marketable securities balances at November 30, 2020, along with available borrowings under our credit facility and cash expected to be generated from future operations, will be sufficient to fund activities for the foreseeable future. However, existing cash and borrowing capacity may not be sufficient to meet our cash requirements to commercialize products currently under development or plans to acquire other organizations, technologies or products that fit within our mission statement. Accordingly, we may choose to issue equity securities or enter into other financing arrangements for a portion of our future financing needs.

## **PART I – FINANCIAL INFORMATION**

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

We have interest rate and foreign exchange rate risk exposure but no long-term fixed rate investments or borrowings. Our primary interest rate risk is due to potential fluctuations of interest rates for short-term investments.

Foreign exchange risk exposure arises because we market and sell our products throughout the world. Revenues in certain foreign countries as well as certain expenses related to those revenues are transacted in currencies other than the U.S. dollar. Our operating results are exposed to changes in exchange rates between the U.S. dollar and the British pound sterling, euro, Mexican peso, Brazilian real, Chinese yuan, Australian dollar and to a lesser extent, the Indian rupee, Canadian dollar, Argentine peso, Uruguayan peso and Chilean peso; there is also exposure to a change in exchange rate between the British pound sterling and the euro. When the U.S. dollar weakens against foreign currencies, the dollar value of revenues denominated in foreign currencies increases. When the U.S. dollar strengthens, the opposite situation occurs. Additionally, previously invoiced amounts can be positively or negatively affected by changes in exchange rates in the course of collection.

Neogen has assets, liabilities and operations outside of the U.S., located in Scotland, England, Italy, Brazil, Mexico, Argentina, Uruguay, Chile, China, India, Canada and Australia where the functional currency is the British pound sterling, euro, Brazilian real, Mexican peso, Argentine peso, Uruguayan peso, Chilean peso, Chinese yuan, Indian rupee, Canadian dollar and Australian dollar, respectively. Our investments in foreign subsidiaries are considered to be long-term. As discussed in ITEM 1A. RISK FACTORS of the Form 10-K annual filing, our financial condition and results of operations could be adversely affected by currency fluctuations.

## **PART I – FINANCIAL INFORMATION**

### **Item 4. Controls and Procedures**

#### **Evaluation of Disclosure Controls and Procedures**

An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of November 30, 2019 was carried out under the supervision and with the participation of the Company's management, including the President & Chief Executive Officer and the Vice President & Chief Financial Officer ("the Certifying Officers"). Based on the evaluation, the Certifying Officers concluded that the Company's disclosure controls and procedures are effective.

#### **Changes in Internal Controls over Financial Reporting**

No changes in our control over financial reporting were identified as having occurred during the quarter ended November 30, 2020 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

## PART II – OTHER INFORMATION

### Item 1. Legal Proceedings

The Company is subject to legal and other proceedings in the normal course of business. In the opinion of management, the outcomes of these matters are not expected to have a material effect on the Company's future results of operations or financial position.

### Item 6. Exhibits

#### (a) Exhibit Index

3	<a href="#"><u>Articles of Incorporation, as restated (incorporated by reference to Exhibit 3 to the Registrant's Form 10-Q filed on December 28, 2018)</u></a>
10.1	<a href="#"><u>Amended and Restated Credit Agreement dated as of November 30, 2016 between Registrant and JPMorgan Chase Bank, N.A. (incorporated by reference to Exhibit 10.A of the Registrant's Form 8-K filed on December 7, 2016)</u></a>
10.2	<a href="#"><u>First Amendment to Amended and Restated Credit Agreement dated as of November 30, 2018 between Registrant and JP Morgan Chase N.A. (incorporated by reference to Exhibit 10.A of the Registrant's Form 8-K filed on December 6, 2018)</u></a>
10.3	<a href="#"><u>Second Amendment to Amended and Restated Credit Agreement dated as of November 30, 2020 between Registrant and JP Morgan Chase N.A. (incorporated by reference to Exhibit 10.A of the Registrant's Form 8-K filed on December 17, 2020)</u></a>
31.1	<a href="#"><u>Certification of Chief Executive Officer pursuant to Rule 13a-14(a).</u></a>
31.2	<a href="#"><u>Certification of Chief Financial Officer pursuant to Rule 13a-14(a).</u></a>
32	<a href="#"><u>Certification pursuant to 18 U.S.C. section 1350</u></a>
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
EX-104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

**Items 1A, 2, 3, 4, and 5 are not applicable or removed or reserved and have been omitted.**

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NEOGEN CORPORATION  
*(Registrant)*

Dated: December 29, 2020

/s/ John E. Adent  
John E. Adent  
President & Chief Executive Officer  
(Principal Executive Officer)

Dated: December 29, 2020

/s/ Steven J. Quinlan  
Steven J. Quinlan  
Vice President & Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)

**EXHIBIT 31.1**  
**13a. – CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER**  
**NEOGEN CORPORATION AND SUBSIDIARIES**

**CEO CERTIFICATION**

I, John E. Adent, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended November 30, 2020 of Neogen Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting to the registrant's auditors and the audit committee of registrant's board of directors:
  - a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: December 29, 2020

/s/ John E. Adent

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John E. Adent  
President & Chief Executive Officer  
(Principal Executive Officer)

**EXHIBIT 31.2**  
**13a. – CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER**  
**NEOGEN CORPORATION AND SUBSIDIARIES**

**CFO CERTIFICATION**

I, Steven J. Quinlan, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended November 30, 2020 of Neogen Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; and
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting to the registrant's auditors and the audit committee of registrant's board of directors:
  - a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: December 29, 2020

/s/ Steven J. Quinlan  

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Steven J. Quinlan  
Vice President & Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)

**EXHIBIT 32**  
**18 U.S.C. SECTION 1350 CERTIFICATION**  
**NEOGEN CORPORATION**

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this Quarterly Report on Form 10-Q of Neogen Corporation (the "Company") for the period ended November 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John E. Adent, as Chief Executive Officer of the Company and I, Steven J. Quinlan, as Chief Financial Officer, hereby certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) This Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) Information contained in this Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Dated: December 29, 2020

/s/ John E. Adent

John E. Adent  
President & Chief Executive Officer  
(Principal Executive Officer)

/s/ Steven J. Quinlan

Steven J. Quinlan  
Vice President & Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.