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DELTA REPORT

10-Q

NEOG - NEOGEN CORP

10-Q - AUGUST 31, 2024 COMPARED TO 10-Q - FEBRUARY 29, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	1427
CHANGES	85
DELETIONS	874
ADDITIONS	468

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended February 29, August 31, 2024.

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)

Michigan	38-2367843
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

620 Lesher Place

Lansing, Michigan 48912

(Address of principal executive offices, including zip code)

(517) 372-9200

(Registrant's telephone number, including area code)

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

N/A

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

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	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller Reporting Company	☐
Emerging growth company	☐		

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 February 29, 2024 August 31, 2024 there were 216,607,746 216,698,138 shares of Common Stock outstanding.

NEOGEN CORPORATION

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PART I – FINANCIAL INFORMATION

Item 1. Interim Condensed Consolidated Financial Statements

Neogen Corporation

Condensed Consolidated Balance Sheets

(in thousands, except shares)

	August 31, 2024	May 31, 2024
Assets	*(unaudited)*	
Current Assets		
Cash and cash equivalents	$ 120,477	$ 170,611
Marketable securities	—	325
Accounts receivable, net of allowance of $4,137 and $4,140	167,639	173,005
Inventories		
Raw materials	77,217	78,799
Work-in-process	12,593	10,990
Finished goods	125,995	111,839
	215,805	201,628
Less inventory reserve	(17,209)	(12,361)
Inventories, net	198,596	189,267
Prepaid expenses and other current assets	53,938	56,025
Total Current Assets	540,650	589,233
Net Property and Equipment	300,971	277,104
Other Assets		
Right of use assets	14,311	14,785
Goodwill	2,137,494	2,135,632
Intangible assets, net	1,489,751	1,511,653
Other non-current assets	19,996	20,426
Total Assets	$ 4,503,173	$ 4,548,833
Liabilities and Stockholders' Equity		
Current Liabilities		

Current portion of finance lease	$ 2,651	$ 2,447
Accounts payable	61,464	83,061
Accrued compensation	15,803	19,949
Income tax payable	11,102	10,449
Accrued interest	3,554	10,985
Deferred revenue	5,635	4,632
Other current liabilities	22,480	22,800
Total Current Liabilities	122,689	154,323
Deferred Income Tax Liability	317,574	326,718
Non-Current Debt	889,129	888,391
Other Non-Current Liabilities	38,589	35,259
Total Liabilities	1,367,981	1,404,691
Commitments and Contingencies (note 7)		
Equity		
Preferred stock, $1.00 par value, 100,000 shares authorized, none issued and outstanding	-	-
Common stock, $0.16 par value, 315,000,000 shares authorized, 216,698,138 and 216,614,407 shares issued and outstanding	34,672	34,658
Additional paid-in capital	2,588,930	2,583,885
Accumulated other comprehensive loss	(31,421)	(30,021)
Retained earnings	543,011	555,620
Total Stockholders' Equity	3,135,192	3,144,142
Total Liabilities and Stockholders' Equity	$ 4,503,173	$ 4,548,833

The accompanying notes are an integral part of these condensed consolidated financial statements.

Neogen Corporation

Condensed Consolidated Statements of Operations (unaudited)

(in thousands, except share and per share amounts) shares)

	February 29, 2024	May 31, 2023
Assets		
Current Assets		
Cash and cash equivalents	$ 161,437	$ 163,240
Marketable securities	7,010	82,329
Accounts receivable, net of allowance of $4,099 and $2,827	173,592	153,253
Inventories, net	182,390	133,812
Prepaid expenses and other current assets	78,042	53,297
Total Current Assets	602,471	585,931
Net Property and Equipment	272,282	198,749
Other Assets		
Right of use assets	15,301	11,933
Goodwill	2,136,338	2,137,496
Intangible assets, net	1,539,744	1,605,103
Other non-current assets	16,356	15,220
Total Assets	$ 4,582,492	$ 4,554,432
Liabilities and Stockholders' Equity		
Current Liabilities		
Current portion of finance lease	$ 2,521	$ -
Accounts payable	89,748	76,669
Accrued compensation	20,305	25,153
Income tax payable	11,573	6,951
Accrued interest	3,438	11,149
Deferred revenue	5,486	4,616
Other accruals	24,773	20,934
Total Current Liabilities	157,844	145,472
Deferred Income Tax Liability	353,853	353,427
Non-Current Debt	887,653	885,439
Other Non-Current Liabilities	36,968	35,877
Total Liabilities	1,436,318	1,420,215
Commitments and Contingencies (note 12)		
Equity		

Preferred stock, $1.00 par value, 100,000 shares authorized, none issued and outstanding	-	-
Common stock, $0.16 par value, 315,000,000 shares authorized, 216,607,746 and 216,245,501 shares issued and outstanding at February 29, 2024, and May 31, 2023, respectively	34,657	34,599
Additional paid-in capital	2,579,955	2,567,828
Accumulated other comprehensive loss	(29,473)	(33,251)
Retained earnings	561,035	565,041
Total Stockholders' Equity	3,146,174	3,134,217
Total Liabilities and Stockholders' Equity	$ 4,582,492	$ 4,554,432

	Three months ended August 31,	
	2024	2023
Revenues		
Product revenues	$ 192,518	$ 204,401
Service revenues	24,446	24,586
Total Revenues	216,964	228,987
Cost of Revenues		
Cost of product revenues	97,836	96,959
Cost of service revenues	14,202	15,267
Total Cost of Revenues	112,038	112,226
Gross Profit	104,926	116,761
Operating Expenses		
Sales and marketing	45,799	45,783
General and administrative	51,671	45,121
Research and development	5,199	6,722
Total Operating Expenses	102,669	97,626
Operating Income	2,257	19,135
Other Expense		
Interest income	993	1,790
Interest expense	(18,615)	(18,456)
Other, net	(244)	(806)
Total Other Expense	(17,866)	(17,472)
(Loss) Income Before Taxes	(15,609)	1,663
Income Tax (Benefit) Expense	(3,000)	160

Net (Loss) Income	$ (12,609)	$ 1,503
Net (Loss) Earnings Per Share		
Basic	$ (0.06)	$ 0.01
Diluted	$ (0.06)	$ 0.01
Weighted Average Shares Outstanding		
Basic	216,695,348	216,309,084
Diluted	216,695,348	216,846,106

The accompanying notes are an integral part of these condensed consolidated financial statements.

Neogen Corporation

Condensed Consolidated Statements of Operations (unaudited)

(in thousands, except per share amounts)

	Three Months Ended February 29/28,		Nine Months Ended February 29/28,	
	2024	2023	2024	2023
Revenues				
Product revenues	$ 202,178	$ 190,688	$ 610,448	$ 500,797
Service revenues	26,634	27,567	76,980	79,840
Total Revenues	228,812	218,255	687,428	580,637
Cost of Revenues				
Cost of product revenues	98,144	94,377	293,456	252,348
Cost of service revenues	13,785	15,914	43,554	45,516
Total Cost of Revenues	111,929	110,291	337,010	297,864
Gross Profit	116,883	107,964	350,418	282,773
Operating Expenses				
Sales and marketing	47,920	38,598	138,535	98,329
General and administrative	52,087	46,424	148,929	151,369
Research and development	4,853	7,258	17,331	18,985
Total Operating Expenses	104,860	92,280	304,795	268,683

Operating Income	12,023	15,684	45,623	14,090
Other Expense				
Interest income	1,612	640	5,265	2,163
Interest expense	(18,285)	(17,460)	(54,773)	(38,007)
Other expense	(1,172)	(1,124)	(4,021)	(7,938)
Total Other Expense	(17,845)	(17,944)	(53,529)	(43,782)
Loss Before Taxes	(5,822)	(2,260)	(7,906)	(29,692)
Income Tax Benefit	(3,800)	(10,450)	(3,900)	(1,250)
Net (Loss) Income	$ (2,022)	$ 8,190	$ (4,006)	$ (28,442)
Net (Loss) Earnings Per Share				
Basic	$ (0.01)	$ 0.04	$ (0.02)	$ (0.16)
Diluted	$ (0.01)	$ 0.04	$ (0.02)	$ (0.16)
Weighted Average Shares Outstanding				
Basic	216,597,777	216,217,702	216,438,643	179,666,118
Diluted	216,597,777	216,399,003	216,438,643	179,666,118

The accompanying notes are an integral part of these condensed consolidated financial statements.

Neogen Corporation

Condensed Consolidated Statements of Comprehensive (Loss) Income (unaudited)

(in thousands)

	Three Months Ended February 29/28,		Nine Months Ended February 29/28,		Three months ended August 31,	
	2024	2023	2024	2023	2024	2023
Net (loss) income	$ (2,022)	$ 8,190	$ (4,006)	$ (28,442)	$ (12,609)	$ 1,503
Foreign currency translation (loss) gain	(4,561)	3,354	117	(6,677)		
Other comprehensive (loss) income						

Foreign currency translation gain	2,459	3,223				
Unrealized gain on marketable securities (1)	77	944	917	674	—	576
Unrealized gain on derivative instruments (2)	139	2,978	2,744	550		
Unrealized (loss) gain on derivative instruments (2)	(3,859)	2,956				
Other comprehensive (loss) income, net of tax:	(4,345)	7,276	3,778	(5,453)	(1,400)	6,755
Total comprehensive (loss) income	$ (6,367)	$ 15,466	$ (228)	$ (33,895)	$ (14,009)	$ 8,258

(1) Amounts are net of tax of $24 and $282 183 during the three months ended February 29, 2024 and February 28, 2023 and $290 and $202 during the nine months ended February 29, 2024 and February 28, 2023, respectively. August 31, 2023.

(2) Amounts are net of tax of $ $(44 926) and $928 933 during the three months ended February 29, 2024 August 31, 2024 and February 28, 2023 and $867 and $171 during the nine months ended February 29, 2024 and February 28, 2023, 2023, respectively.

The accompanying notes are an integral part of these condensed consolidated financial statements.

Neogen Corporation

Condensed Consolidated Statements of Equity (unaudited)

(in thousands, except shares)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total
Balance, June 1, 2023	**216,245,501**	**$ 34,599**	**$ 2,567,828**	**$ (33,251)**	**$ 565,041**	**$ 3,134,217**

	Shares		Amount		Additional Paid-in Capital		Accumulated Other Comprehensive Loss		Retained Earnings		Total
Exercise of options and share-based compensation expense	2,591		—		2,661		—		—		2,661
Issuance of shares under employee stock purchase plan	62,490		11		1,028		—		—		1,039
Net income	—		—		—		—		1,503		1,503
Other comprehensive income	—		—		—		6,755		—		6,755
Balance, August 31, 2023	**216,310,582**	**$**	**34,610**	**$**	**2,571,517**	**$**	**(26,496)**	**$**	**566,544**	**$**	**3,146,175**
Exercise of options and share-based compensation expense	209,714		34		3,477		—		—		3,511
Net loss	—		—		—		—		(3,487)		(3,487)
Other comprehensive income	—		—		—		1,368		—		1,368
Balance, November 30, 2023	**216,520,296**	**$**	**34,644**	**$**	**2,574,994**	**$**	**(25,128)**	**$**	**563,057**	**$**	**3,147,567**
Exercise of options and share-based compensation expense	15,130		2		3,749		—		—		3,751
Issuance of shares under employee stock purchase plan	72,320		11		1,212		—		—		1,223
Net loss	—		—		—		—		(2,022)		(2,022)
Other comprehensive loss	—		—		—		(4,345)		—		(4,345)
Balance, February 29, 2024	**216,607,746**	**$**	**34,657**	**$**	**2,579,955**	**$**	**(29,473)**	**$**	**561,035**	**$**	**3,146,174**

	Common Stock				Additional		Accumulated Other				
	Shares		Amount		Paid-in Capital		Comprehensive Loss		Retained Earnings		Total
May 31, 2024	**216,614,407**	**$**	**34,658**	**$**	**2,583,885**	**$**	**(30,021)**	**$**	**555,620**	**$**	**3,144,142**
Exercise of options, RSUs and share-based compensation expense	4,854		1		4,017		—		—		4,018
Issuance of shares under employee stock purchase plan	78,877		13		1,028		—		—		1,041
Net loss	—		—		—		—		(12,609)		(12,609)
Other comprehensive loss	—		—		—		(1,400)		—		(1,400)
August 31, 2024	**216,698,138**	**$**	**34,672**	**$**	**2,588,930**	**$**	**(31,421)**	**$**	**543,011**	**$**	**3,135,192**

							Accumulated				

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Other Comprehensive Loss	Retained Earnings	Total
Balance, June 1, 2022	**107,801,094**	**$ 17,248**	**$ 309,984**	**$ (27,769)**	**$ 587,911**	**$ 887,374**
Exercise of options and share-based compensation expense	4,000	1	1,904	—	—	1,905
Issuance of shares under employee stock purchase plan	32,636	5	862	—	—	867
Net income	—	—	—	—	5,209	5,209
Other comprehensive loss	—	—	—	(11,557)	—	(11,557)
Balance, August 31, 2022	**107,837,730**	**$ 17,254**	**$ 312,750**	**$ (39,326)**	**$ 593,120**	**$ 883,798**
Exercise of options and share-based compensation expense	46,607	7	2,630	—	—	2,637
Issuance of shares for 3M transaction	108,269,946	17,323	2,245,518	—	—	2,262,841
Net loss	—	—	—	—	(41,841)	(41,841)
Other comprehensive loss	—	—	—	(1,172)	—	(1,172)
Balance, November 30, 2022	**216,154,283**	**$ 34,584**	**$ 2,560,898**	**$ (40,498)**	**$ 551,279**	**$ 3,106,263**
Exercise of options and share-based compensation expense	4,570	1	2,834	—	—	2,835
Issuance of shares under employee stock purchase plan	61,968	10	981	—	—	991
Net income	—	—	—	—	8,190	8,190
Other comprehensive income	—	—	—	7,276	—	7,276
Balance, February 28, 2023	**216,220,821**	**$ 34,595**	**$ 2,564,713**	**$ (33,222)**	**$ 559,469**	**$ 3,125,555**

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total
May 31, 2023	**216,245,501**	**$ 34,599**	**$ 2,567,828**	**$ (33,251)**	**$ 565,041**	**$ 3,134,217**
Exercise of options, RSUs and share-based compensation expense	2,591	—	2,661	—	—	2,661
Issuance of shares under employee stock purchase plan	62,490	11	1,028	—	—	1,039

Net income	—	—	—	—	1,503	1,503
Other comprehensive income	—	—	—	6,755	—	6,755
August 31, 2023	**216,310,582**	**$ 34,610**	**$ 2,571,517**	**$ (26,496)**	**$ 566,544**	**$ 3,146,175**

The accompanying notes are an integral part of these condensed consolidated financial statements.

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Neogen Corporation

Condensed Consolidated Statements of Cash Flows (unaudited)

(in thousands)

	Nine Months Ended February 29/28,	
	2024	2023
Cash Flows From (For) Operating Activities		
Net loss	$ (4,006)	$ (28,442)
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation and amortization	87,853	59,938
Deferred income taxes	98	(5,299)
Share-based compensation	9,829	7,311
Loss (gain) on disposal of property and equipment	762	(472)
Amortization of debt issuance costs	2,581	1,860
Impairment of discontinued product lines	—	2,300
(Gain) loss on sale of minority interest	(74)	1,516
Change in operating assets and liabilities, net of business acquisitions:		
Accounts receivable, net	(16,136)	(47,535)
Inventories, net	(48,663)	(656)
Prepaid expenses and other current assets	(25,170)	(31,896)

Accounts payable and accrued liabilities	21,386	(8,422)
Interest expense accrual	(7,711)	3,438
Change in other assets and liabilities	(12,232)	(3,579)
Net Cash From (For) Operating Activities	8,517	(49,938)
Cash Flows (For) From Investing Activities		
Purchases of property, equipment and other non-current intangible assets	(87,167)	(40,253)
Proceeds from the maturities of marketable securities	75,319	233,020
Purchases of marketable securities	—	(12,523)
Business acquisitions, net of working capital adjustments and cash acquired	—	13,237
Proceeds from the sale of property and equipment and other	62	682
Net Cash (For) From Investing Activities	(11,786)	194,163
Cash Flows From (For) Financing Activities		
Exercise of stock options and issuance of employee stock purchase plan shares	2,443	943
Repayment of long-term debt	—	(100,000)
Debt issuance costs paid and other	(444)	(19,276)
Net Cash From (For) Financing Activities	1,999	(118,333)
Effect of Foreign Exchange Rates on Cash	(533)	(3,231)
Net (Decrease) Increase In Cash and Cash Equivalents	(1,803)	22,661
Cash and Cash Equivalents, Beginning of Period	163,240	44,473
Cash and Cash Equivalents, End of Period	$ 161,437	$ 67,134

	Three months ended August 31,	
	2024	**2023**
Cash Flows (used for) provided by Operating Activities		
Net (loss) income	$ (12,609)	$ 1,503
Adjustments to reconcile net (loss) income to net cash from operating activities:		
Depreciation and amortization	29,800	28,734
Deferred income taxes	(9,119)	998
Share-based compensation	3,982	2,638
Loss on disposal of property and equipment	77	—
Amortization of debt issuance costs	860	860
Other	(261)	—
Change in operating assets and liabilities, net of business acquisitions:		
Accounts receivable, net	4,796	16,242

Inventories, net	(9,939)	(6,304)
Prepaid expenses and other current assets	(1,733)	(12,925)
Accounts payable and accrued liabilities	(15,881)	4,980
Interest expense accrual	(7,431)	(7,711)
Change in other non-current assets and non-current liabilities	(456)	(6,006)
Net Cash (used for) provided by Operating Activities	(17,914)	23,009
Cash Flows used for Investing Activities		
Purchases of property, equipment and other non-current intangible assets	(38,433)	(30,630)
Proceeds from the maturities of marketable securities	325	21,905
Proceeds from the sale of property and equipment and other	4,446	41
Net Cash used for Investing Activities	(33,662)	(8,684)
Cash Flows provided by Financing Activities		
Exercise of stock options and issuance of employee stock purchase plan shares	1,077	1,062
Repayment of long-term debt and finance lease	(98)	—
Net Cash provided by Financing Activities	979	1,062
Effects of Foreign Exchange Rate on Cash	463	205
Net (Decrease) Increase in Cash and Cash Equivalents	(50,134)	15,592
Cash and Cash Equivalents, Beginning of Year	170,611	163,240
Cash and Cash Equivalents, End of Year	$ 120,477	$ 178,832

The accompanying notes are an integral part of these condensed consolidated financial statements.

NEOGEN CORPORATION

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(Dollar amounts in thousands except per share and share amounts) shares)

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

DESCRIPTION OF BUSINESS

Neogen Corporation and subsidiaries ("Neogen," "we," "our" or the "Company") develop, manufacture and market a diverse line of products and services dedicated to food and animal safety. Our Food Safety segment consists primarily of diagnostic test kits and complementary products (e.g., culture media) sold to food producers and processors to detect dangerous and/or unintended substances in human food and animal feed, such as foodborne pathogens, spoilage organisms, natural toxins, food allergens, genetic modifications, ruminant by-products, meat speciation, drug residues, pesticide residues and general sanitation concerns. The majority of the test kits are disposable, single-use, immunoassay and DNA detection products that rely on proprietary antibodies and RNA and DNA testing methodologies to produce rapid and accurate test results. Our expanding line of food safety products also includes genomics-based diagnostic technology, and advanced software systems that help testers objectively analyze and store, as well as perform analysis on, their results from multiple locations over extended periods.

Neogen's Animal Safety segment is engaged in the development, manufacture, marketing and distribution of veterinary instruments, pharmaceuticals, vaccines, topicals, parasiticides, diagnostic products, rodent control products, cleaners, disinfectants, insect control biosecurity products and genomics testing services for the worldwide animal safety market. The majority of these consumable products are marketed through veterinarians, retailers, livestock producers and animal health product distributors. Our line of drug detection products is sold worldwide for the detection of abused and therapeutic drugs in animals and animal products, and has expanded into the workplace and human forensic markets.

BASIS OF PRESENTATION AND CONSOLIDATION

The accompanying unaudited condensed 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 our opinion, of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation of the results of the interim period have been included in the accompanying unaudited condensed consolidated financial statements. All intercompany balances and transactions have been eliminated in consolidation. The results of operations during the three and nine months ended February 29, 2024 August 31, 2024 are not necessarily indicative of the results to be expected for the full fiscal year ending May 31, 2024 May 31, 2025. For more complete financial information, these These unaudited condensed 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, 2023 May 31, 2024.

New Accounting Pronouncements Not Yet Adopted

Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which modifies the disclosure and presentation requirements of reportable segments. The amendments in the update require the disclosure of significant segment expenses that are regularly provided to the chief operating decision maker (CODM) and included within each reported measure of segment profit and loss. The amendments also require disclosure of all other segment items by reportable segment and a description of its composition. Additionally, the amendments require disclosure of the title and position of the CODM and an explanation of how the CODM uses the reported measure(s) of segment profit or loss in assessing segment performance and deciding how to allocate resources. This update is effective for annual periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. We expect to adopt this guidance for our fiscal year 2025 annual reporting and are currently finalizing our assessment of the impact that this standard will have on our segment disclosures.

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Income Taxes (Topic 740): Improvements to Income Tax Disclosures

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which expands disclosures in an entity's income tax rate reconciliation table and disclosures regarding cash taxes paid both in the U.S. and foreign jurisdictions. The update will be effective for annual periods beginning after December 15, 2024. This guidance becomes effective for our fiscal year 2026 annual reporting. The Company is currently evaluating the impact that this guidance will have on the presentation of its consolidated financial statements and accompanying notes.

2. REVENUE RECOGNITION

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

Product revenue consists of shipments 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;
- Consumable products marketed to veterinarians, retailers, livestock producers and animal health product distributo and
- Biosecurity products to assist in the control of rodents, insects and disease in and around agricultural, food produc

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;
- Neogen Analytics; 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.

Our functional currency is Contract liabilities represent deposits made by customers before the U.S. dollar. We translate our non-U.S. operations’ assets satisfaction of performance obligation(s) and liabilities denominated in foreign currencies into U.S. dollars at current rates recognition of exchange as revenue. Upon completion of the balance sheet date and income and expense items at performance obligation(s) that the average exchange rate Company has with the customer, the liability for the reporting period. Translation adjustments resulting from exchange rate fluctuations are recorded in other comprehensive (loss) income. Gains or losses from foreign currency transactions are included in other expense on our condensed consolidated statements of operations. Management has designated certain intercompany loans as long-term in nature customer deposit is relieved and therefore, the gains and losses on remeasurement of these loans revenue is recognized. These customer deposits are recorded within accumulated other comprehensive loss. deferred revenue on the condensed consolidated balance sheets. Changes in the balances relate primarily to sales of the Company's genomics services.

7 The following table summarizes contract liabilities by period:

	Three months ended August 31,	
	2024	**2023**
Beginning balance	$ 4,632	$ 4,616
Additions	3,078	1,857
Amounts recognized into revenue	(2,075)	(2,684)
Ending balance	$ 5,635	$ 3,789

The following table presents disaggregated revenue by major product and service categories during the three months ended August 31, 2024 and August 31, 2023:

	Three months ended August 31,	
	2024	2023
Food Safety		
Natural Toxins & Allergens	$ 20,376	$ 22,268
Bacterial & General Sanitation	39,899	45,224
Indicator Testing, Culture Media & Other	81,703	81,886
Biosecurity Products	11,779	11,090
Genomics Services	5,588	5,810
	$ 159,345	$ 166,278
Animal Safety		
Life Sciences	$ 1,733	$ 1,661
Veterinary Instruments & Disposables	12,523	12,932
Animal Care & Other	6,679	8,175
Biosecurity Products	20,806	22,686
Genomics Services	15,878	17,255
	57,619	62,709
Total Revenues	$ 216,964	$ 228,987

3. NET (LOSS) INCOME PER SHARE

Basic net (loss) income per share was computed by dividing net (loss) income by the weighted average number of shares of common stock outstanding during the period. Diluted net (loss) income per share was computed using the treasury stock method by dividing net (loss) income by the weighted average number of shares of common stock outstanding.

The calculation of net (loss) income per share follows:

	Three months ended August 31,	
	2024	2023
Numerator for basic and diluted net (loss) income per share:		
Net (loss) income attributable to Neogen	$ (12,609)	$ 1,503
Denominator for basic net (loss) income per share:		

Weighted average shares	216,695,348	216,309,084
Effect of dilutive stock options and RSUs	—	537,022
Denominator for diluted net (loss) income per share	216,695,348	216,846,106
Net (loss) income per share:		
Basic	$ (0.06)	$ 0.01
Diluted	$ (0.06)	$ 0.01

Due to the net loss reported for the three months ended August 31, 2024, the dilutive stock options and RSUs were anti-dilutive. As of August 31, 2023, 45,000 shares were excluded from the calculation of diluted net income per share, because the inclusion of such securities in the calculation would have been anti-dilutive.

4. SEGMENT INFORMATION AND GEOGRAPHIC DATA

The Company has 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 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 biosecurity products to assist in the control of rodents, insects and disease in and around agricultural, food production and other facilities.

Many of our international operations 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 the Company’s complete line of products and services, including those usually associated with the Animal Safety segment such as cleaners, biosecurity products, 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.

Segment information follows:

	Food	Animal	Corporate and Eliminations (1)	Total

As of and during the three months ended August 31, 2024	Safety		Safety		Eliminations (1)			
Product revenues to external customers	$	150,777	$	41,741	$	—	$	192,518
Service revenues to external customers		8,568		15,878		—		24,446
Total revenues to external customers	$	159,345	$	57,619	$	—	$	216,964
Operating income (loss)	$	17,905	$	2,589	$	(18,237)	$	2,257
Total assets	$	4,056,444	$	342,077	$	104,652	$	4,503,173
As of and during the three months ended August 31, 2023								
Product revenues to external customers	$	158,947	$	45,454	$	—	$	204,401
Service revenues to external customers		7,331		17,255		—		24,586
Total revenues to external customers	$	166,278	$	62,709	$	—	$	228,987
Operating income (loss)	$	22,241	$	8,356	$	(11,462)	$	19,135
Total assets	$	3,983,553	$	338,297	$	239,255	$	4,561,105

(1) Includes corporate assets, including cash and cash equivalents, current and deferred tax accounts and overhead expen not allocated to specific business segments. Also includes the elimination of intersegment transactions.

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

	Three months ended August 31,			
	2024		2023	
Domestic	$	104,383	$	111,068
International		112,581		117,919
Total revenue	$	216,964	$	228,987

ACCOUNTING POLICIES

Comprehensive (Loss) Income **5. BUSINESS COMBINATIONS**

Comprehensive (loss) The condensed consolidated statements of operations 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.

Fiscal 2023

Corvium Acquisition

In February 2023, the Company acquired certain assets as part of an asset purchase agreement with Corvium, Inc., a partner and supplier within the Company's software analytics platform. This acquisition, which primarily includes the software technology, advances the Company's food safety data analytics strategy. The purchase price consideration was $24,067, which included $9,004 held in escrow. In the first quarter of fiscal 2024, $8,000 of the escrow balance was released to Corvium, Inc. In the third quarter of fiscal 2024, the remaining escrow balance was released to Corvium, Inc. This transaction is a business combination and was accounted for using the acquisition method.

There also is the potential for performance milestone payments of up to $8,500 based on successful implementation of the software service at customer sites and sale of licenses. As a result, the Company has recorded contingent liabilities of $930 as part of the opening balance sheet within other non-current liabilities, as shown below. In fiscal year 2024, the first milestone period occurred, resulting in no performance milestone payment.

In the first quarter of fiscal 2024, the Company recorded an increase to intangible assets of $100, based on finalization of a third-party advisor's valuation work and fair value estimates. The goodwill recorded as part of this transaction, which is fully deductible for tax purposes, includes value associated with profits earned from data management solutions that can be offered to existing customers and the expertise and reputation of the assembled workforce. These values are Level 3 fair value measurements.

The final purchase price allocation, based upon the fair value of these assets acquired and liabilities assumed, which was determined using the income represents approach, is summarized in the following table:

Prepaids and other current assets	$	66
Property, plant and equipment		13
Intangible assets		10,280
Deferred revenue		(1,827)
Adjustment of annual license prepaid		(419)
Other non-current liabilities		(930)
Total identifiable assets and liabilities acquired		7,183
Goodwill		16,884
Total purchase consideration	$	24,067

For each completed acquisition listed above, the revenues and net (loss) income were not considered material and any revenues, expenses, gains and losses that, under U.S. generally accepted accounting principles, are excluded from net (loss) income and recognized directly as a component of equity. Accumulated other comprehensive (loss) income consists of foreign currency translation adjustments and unrealized gains or losses on our marketable securities and derivative instruments. were therefore not disclosed.

Fair Value of Financial Instruments 3M Food Safety Transaction

Fair In September 2022, Neogen, 3M, and Neogen Food Safety Corporation, formerly named Garden SpinCo, a subsidiary created to carve out 3M’s FSD, closed on a transaction combining 3M’s FSD with Neogen in a Reverse Morris Trust transaction and Neogen Food Safety Corporation became a wholly owned subsidiary of Neogen (“FSD transaction”). Immediately following the FSD transaction, pre-merger Neogen Food Safety Corporation stockholders owned, in the aggregate, approximately 50.1% of the issued and outstanding shares of Neogen common stock and pre-merger Neogen shareholders owned, in the aggregate, approximately 49.9% of the issued and outstanding shares of Neogen common stock. This transaction is a business combination and was accounted for using the acquisition method.

The purchase price consideration for the 3M FSD was $3.2 billion, net of customary purchase price adjustments and transaction costs, which consisted of 108,269,946 shares of Neogen common stock issued on closing with a fair value measurements of $2.2 billion and non-cash consideration of $1 billion, funded by the additional financing obtained by Garden SpinCo and assumed by the Company as part of the transaction.

In the first quarter of fiscal 2024, the Company recorded adjustments to goodwill and intangible assets, based on third-party advisor's valuation work and fair value estimates, resulting in an increase to goodwill and a decrease to the intangible assets balance. The Company also recorded adjustments to deferred tax liabilities, which increased the balance, based on finalization of entity income tax provisions. The excess of the purchase price over the fair value of the net tangible assets and identifiable intangible assets of $1.97 billion was recorded as goodwill, of which $1.92 billion is not deductible for tax purposes. Goodwill includes value associated with profits earned from market and expansion capabilities, expected synergies from integration and streamlining operational activities, the expertise and reputation of the assembled workforce and other intangible assets that do not qualify for separate recognition. These values are determined Level 3 fair value measurements.

The final purchase price allocation, based upon the exit price that would be received fair value of these assets acquired and liabilities assumed, which was determined using the income approach, is summarized in the following table:

Cash and cash equivalents	$	319
Inventories		18,403
Other current assets		14,855
Property, plant and equipment		25,832
Intangible assets		1,559,805
Right of use asset		882
Lease liability		(885)
Deferred tax liabilities		(352,636)
Other liabilities		(2,832)
Total identifiable assets and liabilities acquired		1,263,743
Goodwill		1,974,870
Total purchase consideration	$	3,238,613

6. INCOME TAXES

Income tax benefit was $3,000 during the three months ended August 31, 2024. Income tax expense was $160 during the three months ended August 31, 2023. The net tax benefit for the quarter is primarily related to sell an asset or paid pre-tax losses due to transfer amortization expense and interest expense from the 3M FSD acquisition. The Organization for Economic Cooperation and Development ("OECD") Pillar 2 global minimum tax rules, which generally provide for a liability minimum effective tax rate of 15%, are intended to apply for tax years beginning in an orderly transaction between market participants exclusive of any transaction costs. 2024. The Company utilizes is closely monitoring developments and evaluating the impact these new rules will have on our tax rate, including eligibility to qualify for certain safe harbors. Where no safe harbor is met, The Company has included in its income tax benefit during the three months ended August 31, 2024, a fair value hierarchy based upon forecasted amount of top-up tax for its foreign subsidiaries as required under the observability applicable rules of inputs used the countries that have adopted the Pillar Two directives.

The total amounts of unrecognized tax benefits that, if recognized, would affect the effective tax rate as of August 31, 2024 and May 31, 2024 were $3,288 and $2,739, respectively. Increases in valuation techniques as follows: unrecognized tax benefits are primarily associated with the acquired 3M FSD, including positions for transfer pricing and research and development credits.

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. 7. COMMITMENTS AND CONTINGENCIES

The carrying amounts 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 certain financial instruments, consisting monitoring wells. These annual remediation costs are expensed and have ranged from $38 to $131per year over the past five years. The Company's estimated remaining liability for these costs is $916 as of cash both August 31, 2024 and cash equivalents, accounts receivable, accounts payable, our revolving credit agreement, May 31, 2024, measured on an undiscounted basis over an estimated period of 15 years. In fiscal 2019, the Company performed an updated Corrective Measures Study on the site, per a request from the Wisconsin Department of Natural Resources ("WDNR"), and long-term debt, approximate their fair value based on either their short maturity or is currently working with the WDNR regarding potential alternative remediation strategies going forward. The Company believes that the current terms pump and treat strategy is appropriate for similar instruments.

Leases

We lease various manufacturing, laboratory, warehousing and distribution facilities, administrative and sales offices, equipment and vehicles under operating leases. We evaluate our contracts the site. In fiscal 2022, in collaboration with the WDNR, the Company initiated an in-situ chemical remediation pilot study, which ran over a two-year period. The results of this study were submitted to determine if an arrangement is a lease at inception and classify it the WDNR as a finance or operating lease. Currently, many part of our leases are classified standard annual report. If the WDNR were to require a change from the current pump and treat remediation strategy, this change could result in an increase in future costs and, ultimately, an increase in the currently recorded liability, with an offsetting charge to operations in the period recorded. The Company has recorded $100 as operating leases. Operating leases are included a current liability as of August 31, 2024, and the remaining $816 is recorded in other assets, other accruals and other non-current liabilities on in the Company's condensed consolidated balance sheets. Finance leases are included in net property and equipment and current portion of finance lease on the Company's condensed consolidated balance sheets.

Costs associated with operating leasesThe Company is subject to certain legal and other proceedings in the normal course of business that, in the opinion of management, are recognized not expected to have a material effect on a straight-line basis within operating expenses over the term its future results of the lease. Costs associated with finance leases are recognized on a straight-line basis within depreciation and interest expense over the term of the lease. The right-of-use operating lease assets were $ operations or financial position.15,301 and $11,933 as of February 29, 2024 and May 31, 2023, respectively. The total current and non-current operating lease liabilities were $15,771 and $12,089 as of February 29, 2024 and May 31, 2023, respectively. The finance lease assets were $2,496 as of February 29, 2024. There were no finance leases recorded as of May 31, 2023. See Note 10, "Debt", for detail on the finance lease liabilities.

8 8. DERIVATIVES AND FAIR VALUE

Derivatives

The Company operates on a global basis and is exposed to the risk that its financial condition, results of operations and cash flows could be adversely affected by changes in foreign currency exchange rates and changes in interest rates. To reduce the potential effects of foreign currency exchange rate movements on net earnings, the Company enters into derivative financial instruments in the form of foreign currency exchange forward contracts with major financial institutions and has also entered into interest rate swap contracts as a hedge against changes in interest rates. The Company has established policies and procedures for risk assessment and the approval, reporting and monitoring of derivative financial instrument activities. On the date the derivative is established, the Company designates the derivative as either a fair value hedge, a cash flow hedge or a net investment hedge in accordance with its established policy. Each reporting period, derivatives are recorded at fair value in other current assets, other assets, accrued liabilities and other long-term liabilities. The change in fair value is recorded in accumulated other comprehensive loss, and amounts are reclassified into earnings on the condensed consolidated statement statements of income operations when transactions are realized. Derivatives that are not determined to be effective hedges are adjusted to

fair value with a corresponding adjustment to earnings. The Company does not enter into derivative financial instruments for trading or speculative purposes.

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 and derivatives. 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 and Concentrations of Credit Risk

Financial instruments which potentially subject Neogen to concentrations of credit risk consist principally of accounts receivable. Management attempts to minimize credit risk by reviewing customers' credit histories before extending credit and by monitoring credit exposure on a regular basis. Collateral or other security is generally not required for accounts receivable. We maintain an allowance for customer accounts that reduces receivables to amounts that are expected to be collected. In estimating the allowance for doubtful accounts, management considers relevant information about past events, current conditions and reasonable and supportable forecasts that affect the collectability of financial assets. 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. No customer accounted for more than 10% of accounts receivable atFebruary 29, 2024 or May 31, 2023, respectively.

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 the 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. The Company's business is organized into two operating segments: Food Safety and Animal Safety. Under the goodwill guidance, management determined that each of its segments represents a reporting unit. Other intangible assets include customer relationships, trademarks, licenses, trade names, covenants not-to-compete and patents. Customer relationship 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 amortized over 2 to 25 years.

Management reviews the carrying amounts of goodwill annually at the reporting unit level, or when indications of impairment exist, to determine if goodwill may be impaired. Goodwill is tested for impairment annually in the fourth quarter. During management's annual test or when there are indicators of impairment, if the carrying amount is deemed to be less than fair value based upon a discounted cash flow analysis and comparison to EBITDA multiples of peer companies, goodwill is reduced to the estimated fair value and a charge is recorded to operations.

Amortizable intangible assets are tested for impairment when indications of impairment exist. If the carrying amounts of these assets are deemed to be less than fair value based upon a discounted cash flow analysis, 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.

Business Combinations

We utilize the acquisition method of accounting for business combinations. This method requires, among other things, that results of operations of acquired companies are included in Neogen’s results of operations beginning on the respective acquisition dates and that assets acquired and liabilities assumed are recognized at fair value as of the acquisition date. Any excess of the fair value of consideration transferred over the fair values of the net assets acquired is recognized as goodwill. As part of our acquisition accounting, the Company will recognize intangible assets. Management determines the fair value of the intangible assets by applying certain valuation methodologies, including the multi-period excess earnings method, which involves the use of significant estimates and assumptions related to forecasted revenue growth rate and customer attrition rate. Valuation specialists are often used to develop and evaluate the appropriateness of the multi-period excess earnings method, our discount rates, our attrition rate and our fair value estimates using our cash flow projections.

The fair value of assets acquired and liabilities assumed in certain cases may be subject to revision based on the final determination of fair value during a period of time not to exceed 12 months from the acquisition date. Legal costs, due diligence costs, business valuation costs and all other business acquisition costs are expensed when incurred.

Our estimates of fair value are based on assumptions believed to be reasonable at that time. If we made different estimates or judgments, it could result in material differences in the fair values of the net assets acquired.

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Equity Compensation Plans

Share options, 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, an estimate of award forfeitures, volatility measures and specific employee exercise behavior patterns based on statistical data. Some of the inputs used are not market-observable and are 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 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 accommodate most of the specific features included in the options granted, which is the reason for its 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 7, "Equity Compensation Plans."

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.

New Accounting Pronouncements Not Yet Adopted

Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which modifies the disclosure and presentation requirements of reportable segments. The amendments in the update require the disclosure of significant segment expenses that are regularly provided to the chief operating decision maker (CODM) and included within each reported measure of segment profit and loss. The amendments also require disclosure of all other segment items by reportable segment and a description of its composition. Additionally, the amendments require disclosure of the title and position of the CODM and an explanation of how the CODM uses the reported measure(s) of segment profit or loss in assessing segment performance and deciding how to allocate resources. This update is effective for annual periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is currently evaluating the impact that this guidance will have on the presentation of its consolidated financial statements and accompanying notes.

Income Taxes (Topic 740): Improvements to Income Tax Disclosures

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures, which expands disclosures in an entity's income tax rate reconciliation table and disclosures regarding cash taxes paid both in the U.S. and foreign jurisdictions. The update will be effective for annual periods beginning after December 15, 2024. The Company is currently evaluating the impact that this guidance will have on the presentation of its consolidated financial statements and accompanying notes.

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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 $161,437 and $163,240 as of February 29, 2024 and May 31, 2023, 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 consisting of commercial paper and corporate bonds rated at least A-1/P-1 (short-term) and A/A2 (long-term) with original maturities between 91 days and two years. These securities are classified as available for sale. Changes in fair value are monitored and recorded on a monthly basis and are recorded in other comprehensive (loss) income. 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. If fair value is less than its amortized cost basis, then the Company evaluates whether the decline is the result of a credit loss, in which case an impairment is recorded through an allowance for credit losses. Where there is an intention or a requirement to sell an impaired available-for-sale debt security, the entire impairment is recognized in earnings with a corresponding adjustment to the amortized cost basis of the security. 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 (expense) income on the condensed consolidated statements of operations.

Marketable Securities as of February 29, 2024 and May 31, 2023 are listed below by classification and remaining maturities.

	Maturity	February 29, 2024	May 31, 2023
Commercial Paper & Corporate Bonds	0 - 90 days	$ 6,687	$ 22,552
	91 - 180 days	323	35,692
	181 days - 1 year	—	23,768
	1 - 2 years	—	317
Total Marketable Securities		$ 7,010	$ 82,329

The components of marketable securities, consisting of commercial paper and corporate bonds, as of February 29, 2024 are as follows:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Commercial Paper & Corporate Bonds	$ 7,023	$ —	$ (13)	$ 7,010

The components of marketable securities, consisting of commercial paper and corporate bonds, as of May 31, 2023 are as follows:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Commercial Paper & Corporate Bonds	$ 83,549	$ —	$ (1,220)	$ 82,329

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:

	February 29, 2024	May 31, 2023
Raw materials	$ 70,143	$ 66,617
Work-in-process	11,391	5,369
Finished and purchased goods	110,395	68,100
Inventory reserve	(9,539)	(6,274)
	$ 182,390	$ 133,812

4. REVENUE RECOGNITION

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

Product revenue consists of shipments 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;
- Consumable products marketed to veterinarians, retailers, livestock producers and animal health product distributo and
- Rodent control products, disinfectants and insect control products 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 Company has no contract assets. Contract liabilities represent deposits made by customers before the satisfaction of performance obligation(s) and recognition of revenue. Upon completion of the performance obligation(s) that the Company has with the customer, the liability for the customer deposit is relieved and revenue is recognized. These customer deposits are recorded within deferred revenue on the condensed consolidated balance sheets. During the three and nine months ended February 29, 2024, the Company recorded additions of $5,116 and $11,094 to deferred revenue, respectively. During the three and nine months ended February 28, 2023, the Company recorded additions of $4,601 and $9,272 to deferred revenue, respectively. During the three and nine months ended February 29, 2024, the Company recognized $4,308 and $10,224, respectively, of deferred revenue amounts into revenue. During the three and nine months ended February 28, 2023, the Company recognized $2,918 and $7,967, respectively, of deferred revenue amounts into revenue. Changes in the balances relate primarily to sales of the Company's genomics services.

On September 1, 2022, Neogen closed on a Reverse Morris Trust transaction to combine with 3M Company's ("3M") Food Safety Division (“3M FSD”, “FSD”). Similar to Neogen, 3M’s former FSD sells diagnostic test kits, culture media and related products used by food producers and processors to detect foodborne bacteria, allergens and levels of general sanitation. Revenues for these products are recognized and invoiced when the product is shipped to the customer. Subsequent to the 3M FSD transaction, many of these products were manufactured,

invoiced, and distributed by 3M on behalf of Neogen under a number of transition service contracts. In the third quarter of fiscal year 2024, the Company completed its exit of distribution-related service contracts. As a result, all product shipments and invoicing to customers is now done directly by Neogen.

The following table presents disaggregated revenue by major product and service categories during the three and nine months ended February 29, 2024 and February 28, 2023:

	Three Months Ended February 29/28,				Nine Months Ended February 29/28,			
	2024		2023		2024		2023	
Food Safety								
Natural Toxins & Allergens	19,738	$	19,198	$	63,116	$	61,236	

Bacterial & General Sanitation	40,395	39,444	128,393	91,293
Indicator Testing, Culture Media & Other	81,168	77,955	246,812	179,293
Rodent Control, Insect Control & Disinfectants	10,136	9,550	32,180	29,502
Genomics Services	6,317	5,395	17,934	16,204
	$ 157,754	$ 151,542	$ 488,435	$ 377,528
Animal Safety				
Life Sciences	$ 1,372	$ 1,440	$ 4,710	$ 4,456
Veterinary Instruments & Disposables	17,976	15,428	47,845	46,534
Animal Care & Other	10,066	8,735	27,226	29,830
Rodent Control, Insect Control & Disinfectants	23,055	20,242	65,694	63,121
Genomics Services	18,589	20,868	53,518	59,168
	71,058	66,713	198,993	203,109
Total Revenues	$ 228,812	$ 218,255	$ 687,428	$ 580,637

5. NET (LOSS) INCOME PER SHARE

Basic net (loss) income per share was computed by dividing net (loss) income by the weighted average number of shares of common stock outstanding during the period. Diluted net (loss) income per share was computed using the treasury stock method by dividing net (loss) income by the weighted average number of shares of common stock outstanding.

The calculation of net (loss) income per share follows:

	Three Months Ended February 29/28,		Nine Months Ended February 29/28,	
	2024	2023	2024	2023
Numerator for basic and diluted net (loss) income per share:				
Net (loss) income attributable to Neogen	$ (2,022)	$ 8,190	$ (4,006)	$ (28,442)
Denominator for basic net (loss) income per share:				
Weighted average shares	216,597,777	216,217,702	216,438,643	179,666,118
Effect of dilutive stock options and RSUs	—	181,301	—	—
Denominator for diluted net (loss) income per share	216,597,777	216,399,003	216,438,643	179,666,118
Net (loss) income per share:				
Basic	$ (0.01)	$ 0.04	$ (0.02)	$ (0.16)
Diluted	$ (0.01)	$ 0.04	$ (0.02)	$ (0.16)

Due to the net loss reported for the three and nine months ended February 29, 2024 and the nine months ended February 28, 2023, the dilutive stock options and RSUs were anti-dilutive.

6. 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 rodent control products, disinfectants and insect control products to assist in the control of rodents, insects and disease in and around agricultural, food production and other facilities.

Many of our international operations 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, rodent control products, insect control products, veterinary instruments and genomics services. These additional products and services are managed and directed by existing Food Safety 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 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. While Neogen was operating under a distribution services agreement with 3M, all sales of FSD products were reported through the Food Safety segment. Since the review of FSD sales occurs on a global scale, sales of these products occurring in Australia and New Zealand will continue to report through the Food Safety segment, despite now occurring at Neogen Australasia.

The accounting policies of each of the segments are the same as those described in Note 1, "Description of Business and Basis of Presentation."

Segment information follows:

	Food Safety	Animal Safety	Corporate and Eliminations (1)	Total

As of and during the three months ended February 29, 2024				
Product revenues to external customers	$ 149,709	$ 52,469	$ —	$ 202,178
Service revenues to external customers	8,045	18,589	—	26,634
Total revenues to external customers	$ 157,754	$ 71,058	$ —	$ 228,812
Operating income (loss)	$ 15,915	$ 14,781	$ (18,673)	$ 12,023
Total assets	$ 4,071,831	$ 344,205	$ 166,456	$ 4,582,492
As of and during the three months ended February 28, 2023				
Product revenues to external customers	$ 144,843	$ 45,845	$ —	$ 190,688
Service revenues to external customers	6,699	20,868	—	27,567
Total revenues to external customers	$ 151,542	$ 66,713	$ —	$ 218,255
Operating income (loss)	$ 11,011	$ 10,752	$ (6,079)	$ 15,684
Total assets	$ 3,975,921	$ 349,628	$ 183,215	$ 4,508,764

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

	Food Safety	Animal Safety	Corporate and Eliminations (1)	Total
As of and during the nine months ended February 29, 2024				
Product revenues to external customers	$ 464,973	$ 145,475	$ —	$ 610,448
Service revenues to external customers	23,462	53,518	—	76,980
Total revenues to external customers	$ 488,435	$ 198,993	$ —	$ 687,428
Operating income (loss)	$ 62,485	$ 30,876	$ (47,738)	$ 45,623

As of and during the nine months ended February 28, 2023				
Product revenues to external customers	$ 356,856	$ 143,941	$ —	$ 500,797
Service revenues to external customers	20,672	59,168	—	79,840
Total revenues to external customers	377,528	203,109	-	580,637
Operating income (loss)	41,053	35,439	(62,402)	14,090

(1) Includes the elimination of intersegment transactions.

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

	Three Months Ended February 29/28,		**Nine Months Ended February 29/28,**	
	2024	**2023**	**2024**	**2023**
Domestic	$ 124,226	$ 109,919	$ 348,848	$ 304,974
International	104,586	108,336	338,580	275,663
Total revenue	$ 228,812	$ 218,255	$ 687,428	$ 580,637

7. EQUITY COMPENSATION PLANS

The Company's long-term incentive plans allow for the grant of various types of share-based awards to key directors, officers and employees of the Company. Incentive and non-qualified options to purchase shares of common stock have been granted under the terms of the 2023 Omnibus Incentive Plan and previously under the 2018 Omnibus Incentive Plan. These options are granted at an exercise price of the closing price of the common stock on the date of grant. Outstanding options vest ratably over three-year and five-year periods, and the contractual terms are generally five, seven or ten years. The company grants restricted stock units (RSUs) under the terms of the 2023 Omnibus Incentive Plan. Outstanding RSUs vest ratably over three-year and five-year periods. The fair value of the RSUs is determined based on the closing price of the common stock on the date of grant.

During the three and nine months ended February 29, 2024, the Company recorded $3,679 and $9,829, respectively, of expense related to its share-based awards in general and administrative expense in the condensed consolidated income statement. During the three and nine months ended February 28, 2023, the Company recorded $2,812 and $7,311, respectively, of 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 2021 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.

8. BUSINESS COMBINATIONS

The condensed consolidated statements of operations 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.

Fiscal 2023

Thai-Neo Biotech Co., Ltd. Acquisition

On July 1, 2022, Neogen acquired all of the stock of Thai-Neo Biotech Co., Ltd., a long-standing distributor of Neogen’s food safety products to Thailand and Southeast Asia. Consideration for the purchase was $1,581 in net cash, with $1,310 paid at closing, $37 paid in November 2022 as a working capital adjustment and $234 paid in October 2023. The final purchase price allocation, based upon the fair value of these assets and liabilities determined using the income approach, included accounts receivable of $177, inventory of $232, prepaids of $3, net property, plant and equipment of $16, other non-current assets of $6, accounts payable of $98, other payables of $6, non-current tax liabilities of $124, intangible assets of $620 (with an estimated life of 10 years) and the remainder to goodwill (non-deductible for tax purposes). The business continues to operate in Bangkok, Thailand, reporting within the Food Safety segment.

Corvium Acquisition

On February 10, 2023, the Company acquired certain assets as part of an asset purchase agreement with Corvium, Inc., a partner and supplier within the Company's software analytics platform. This acquisition, which primarily includes the software technology, advances the Company's food safety data analytics strategy. The purchase price consideration was $24,067, which included $9,004 held in escrow. In the first quarter of fiscal 2024, $8,000 of the escrow balance was released to Corvium, Inc. In the third quarter of fiscal 2024, the remaining escrow balance was released to Corvium, Inc. This transaction is a business combination and was accounted for using the acquisition method.

There also is the potential for performance milestone payments of up to $8,500 based on successful implementation of the software service at customer sites and sale of licenses. As a result, the Company has recorded contingent liabilities of $930 as part of the opening balance sheet within other non-current liabilities, as shown below.

In the first quarter of fiscal 2024, the Company recorded an increase to intangible assets of $100, based on finalization of a third-party advisor's valuation work and fair value estimates. Goodwill, which is fully deductible for tax purposes, includes value associated with profits earned from data management solutions that can be offered to existing customers and the expertise and reputation of the assembled workforce. These values are Level 3 fair value measurements.

The final purchase price allocation, based upon the fair value of these assets acquired and liabilities assumed, which was determined using the income approach, is summarized in the following table:

Prepaids and other current assets	$	66
Property, plant and equipment		13
Intangible assets		10,280
Deferred revenue		(1,827)
Adjustment of annual license prepaid		(419)
Other non-current liabilities		(930)
Total identifiable assets and liabilities acquired		7,183
Goodwill		16,884
Total purchase consideration	$	24,067

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

3M Food Safety Transaction

On September 1, 2022, Neogen, 3M, and Neogen Food Safety Corporation (“Neogen Food Safety Corporation”), formerly named Garden SpinCo, a subsidiary created to carve out 3M’s FSD, closed on a transaction combining 3M’s FSD with Neogen in a Reverse Morris Trust transaction and Neogen Food Safety Corporation became a wholly owned subsidiary of Neogen (“FSD transaction”). Immediately following the FSD transaction, pre-merger Neogen Food Safety Corporation stockholders owned, in the aggregate, approximately 50.1% of the issued and outstanding shares of Neogen common stock and pre-merger Neogen shareholders owned, in the aggregate, approximately 49.9% of the issued and outstanding shares of Neogen common stock. This transaction is a business combination and was accounted for using the acquisition method.

The purchase price consideration for the 3M FSD was $3.2 billion, net of customary purchase price adjustments and transaction costs, which consisted of 108,269,946 shares of Neogen common stock issued on closing with a fair value of $2.2 billion and non-cash consideration of $1 billion, funded by the additional financing obtained by Garden SpinCo and assumed by the Company as part of the transaction. See Note 10, "Debt" for further detail on the debt incurred.

In the first quarter of fiscal 2024, the Company recorded adjustments to goodwill and intangible assets, based on third-party advisor's valuation work and fair value estimates, resulting in an increase to goodwill and a decrease to the intangible assets balance. The company also recorded adjustments to deferred tax liabilities, which increased the balance, based on finalization of entity income tax provisions. The excess of the purchase price over the fair value of the net tangible assets and identifiable intangible assets of $1.97 billion was recorded as goodwill, of which $1.92 billion is not deductible for tax purposes. Goodwill includes value associated with profits earned from market and expansion capabilities, expected synergies from integration and streamlining operational activities, the expertise and reputation of the assembled workforce and other intangible assets that do not qualify for separate recognition. These values are Level 3 fair value measurements.

The final purchase price allocation, based upon the fair value of these assets acquired and liabilities assumed, which was determined using the income approach, is summarized in the following table:

Cash and cash equivalents	$	319
Inventories		18,403
Other current assets		14,855
Property, plant and equipment		25,832
Intangible assets		1,559,805
Right of use asset		882
Lease liability		(885)
Deferred tax liabilities		(352,636)
Other liabilities		(2,832)
Total identifiable assets and liabilities acquired		1,263,743
Goodwill		1,974,870
Total purchase consideration	$	3,238,613

The following table summarizes the intangible assets acquired and the useful life of these assets.

		Fair Value	Useful Life in Years
Trade Names and Trademarks	$	108,434	25
Developed Technology		277,650	15
Customer Relationships		1,173,721	20
Total intangible assets acquired	$	1,559,805	

The following table presents pro forma information as if the merger with the 3M FSD business had occurred on June 1, 2022 and had been combined with the results reported in our condensed consolidated statements of operations for all periods presented:

	Three Months Ended February 29/28,		Nine Months Ended February 29/28,	
	2024	2023	2024	2023
Net sales	$ 228,812	$ 218,255	$ 687,428	$ 678,149
Operating Income	$ 12,023	$ 15,684	$ 45,623	$ 19,121

The unaudited pro forma information is presented for informational purposes only and is not indicative of the results that would have been achieved if the merger had taken place at such time. The unaudited pro forma information presented above includes adjustments primarily for amortization charges for acquired intangible assets and certain acquisition-related expenses for legal and professional fees.

In connection with the acquisition of the 3M FSD, the Company and 3M entered into several transition service agreements, including manufacturing, distribution and certain back-office support, that have been accounted for separately from the acquisition of assets and assumption of liabilities in the business combination. 3M periodically remits amounts charged to customers on our behalf and charges us for the associated cost of goods sold and transition service fees. As of February 29, 2024 and May 31, 2023, a net receivable from 3M of $5,461 and $12,365, respectively, was included in prepaid expenses and other current assets in the Company’s condensed consolidated balance sheets.

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9. GOODWILL AND INTANGIBLE ASSETS

The following table summarizes goodwill by reportable segment:

	Food Safety	Animal Safety	Total
May 31, 2023	$ 2,056,161	$ 81,335	$ 2,137,496
Acquisitions (1)	250	—	250
Foreign currency translation and other	(1,309)	(99)	(1,408)
February 29, 2024	$ 2,055,102	$ 81,236	$ 2,136,338

(1) Represents measurement period adjustments relating to our 3M FSD and Corvium acquisitions.

As of May 31, 2023, non-amortizable intangible assets included licenses of $569, trademarks of $12,522 and other intangibles of $1,224.

Amortizable intangible assets consisted of the following and are included in customer-based intangibles and other non-current assets within the condensed consolidated balance sheets:

	Gross Carrying Amount	Less Accumulated Amortization	Net Carrying Amount
Licenses	$ 20,624	$ 8,147	$ 12,477
Covenants not to compete	486	429	57
Patents	7,988	4,244	3,744
Customer relationships	1,245,545	125,123	1,120,422
Trade names and trademarks	122,974	9,060	113,914
Developed technology	307,511	35,994	271,517
Other product and service-related intangibles	23,907	6,294	17,613
February 29, 2024	$ 1,729,035	$ 189,291	$ 1,539,744
Licenses	$ 16,010	$ 6,763	$ 9,247
Covenants not to compete	488	384	104
Patents	8,499	4,865	3,634
Customer relationships	1,244,635	81,577	1,163,058
Trade names and trademarks	111,172	3,583	107,589
Developed technology	309,609	20,175	289,434
Other product and service-related intangibles	23,628	5,907	17,721
May 31, 2023	$ 1,714,041	$ 123,254	$ 1,590,787

Amortization expense relating to definite-lived intangible assets was $23,704 and $71,101 during the three and nine months ended February 29, 2024, respectively. Amortization expense relating to definite-lived intangible assets was $22,926 and $47,995 during the three and nine months ended February 28, 2023, respectively.

Estimated amortization expense for fiscal years 2024 through 2028 is expected to be in the range of approximately $95,000 to $97,000 per year.

The amortizable intangible assets' useful lives are 2 to 20 years for licenses, 3 to 10 years for covenants not to compete, 5 to 25 years for patents, 9 to 20 years for customer relationships, 5 to 25 years for trade names and trademarks, 10 to 20 years for developed technology and 5 to 15 years for other product and service-related intangibles. All definite-lived intangibles are amortized on a straight-line basis with the exception of definite-lived customer-based intangibles and product and service-related intangibles, which are amortized on either a straight-line or an accelerated basis.

10. DEBT

The Company’s debt and finance lease consists of the following:

	February 29, 2024	May 31, 2023
Term Loan	$ 550,000	$ 550,000
Senior Notes	350,000	350,000
Finance Lease	2,521	—
Total debt and finance lease	902,521	900,000
Less: Current portion	(2,521)	—
Total non-current debt	900,000	900,000
Less: Unamortized debt issuance costs	(12,347)	(14,561)
Total non-current debt, net	$ 887,653	$ 885,439

The Company had a financing agreement with a bank providing for a $15,000 unsecured revolving line of credit, which originally expired on November 30, 2023, but was replaced by the five-year senior secured revolving facility as part of the Credit Facilities described below. There were no advances against the line of credit in fiscal 2023 before it was extinguished. Interest on any borrowings under that agreement was at LIBOR plus 100 basis points. Financial covenants included maintaining specified levels of tangible net worth, debt service coverage, and funded debt to EBITDA, each of which the Company was in compliance with during the period the line of credit was available.

Credit Facilities

In June 2022, Neogen Food Safety Corporation entered into a credit agreement consisting of a five-year senior secured term loan facility (“term loan facility”) in the amount of $650,000 and a five-year senior secured revolving facility (“revolving facility”) in the amount of $150,000 (collectively, the “Credit Facilities”) to fund the 3M Food Safety transaction. The term loan facility was drawn on August 31, 2022, to fund the closing of the 3M Food Safety transaction on September 1, 2022 while the revolving facility remained undrawn and continues to be undrawn as of February 29, 2024.

The Credit Facilities bear interest based on the term SOFR plus an applicable margin between a range of 150 to 225 basis points determined for each interest period and paid monthly. During the nine months ended February 29, 2024, the interest rates ranged from 7.42% to 7.68% per annum. The term loan facility matures on June 30, 2027 and the revolving facility matures at the earlier of June 30, 2027 and the termination of the revolving commitments. In November 2022, the Company entered into an interest rate swap agreement, whereby interest on $250,000 of the total $550,000 principal balance is paid at a fixed rate. See Note 13, "Derivatives"for further detail on the swap agreement.

The term loan facility contains an optional prepayment feature at the discretion of the Company. The Company determined that the prepayment feature did not meet the definition of an embedded derivative and does not require bifurcation from the host liability and, accordingly, has accounted for the entire instrument at amortized cost. In accordance with the prepayment feature, the Company paid $100,000 of the term loan facility’s principal in fiscal year 2023.

The Company can draw any amount under the revolving facility up to the $150,000 limit, with the amount to be repaid on the termination date of the revolving commitments. Debt issuance costs of $2,361 were incurred related to the revolving facility. These costs are being amortized as interest expense in the condensed consolidated statements of operations over the contractual life of the revolving facility using the straight-line method. Amortization of the deferred debt issuance costs for the revolving facility was $122 and $366, respectively, during the three and nine months ended February 29, 2024. Amortization of the deferred debt issuance costs for the revolving facility was $122 and $244, respectively, for the three and nine months ended February 28, 2023. As of February 29, 2024 and May 31, 2023 the Company had $1,629 and $1,995, respectively, of unamortized debt issuance costs.

The Company must pay an annual commitment fee ranging from 0.20% and 0.35% on the unused portion of the Revolving Credit Facility, paid quarterly. As of February 29, 2024, the commitment fee was 0.35%, with $122 and $366, respectively, recorded as interest expense in the condensed consolidated statements of operations during the three and nine months ended February 29, 2024. During the three and nine months ended February 28, 2023, $133 and $356, respectively, relating to the commitment fee was recorded as interest expense in the consolidated statements of operations.

There was no accrued interest payable on the term loan as of February 29, 2024. The Company incurred $10,232 in total debt issuance costs on the term loan which is recorded as an offset to the term loan facility and amortized over the contractual life of the loan to interest expense using the straight-line method. The amortization of deferred debt issuance costs of $529 and $1,588 and interest expense of $10,497 and $31,365 (excluding swap credit of $778 and $2,230) for the term loan was included in the condensed consolidated statements of operations during the three and nine months ended February 29, 2024, respectively. The amortization of deferred debt issuance costs of $529 and $1,058 and interest expense of $9,056 and $17,383 (excluding swap credit of $136) was included in the consolidated statements of operations during the three and nine months ended February 28, 2023, respectively. As of February 29, 2024 and May 31, 2023, the Company had $7,056 and $8,644, respectively, of unamortized debt issuance costs.

Financial covenants include maintaining specified levels of funded debt to EBITDA, and debt service coverage. As of February 29, 2024, the Company was in compliance with its debt covenants.

Senior Notes

In July 2022, Neogen Food Safety Corporation closed on an offering of $350,000 aggregate principal amount of 8.625% senior notes due in 2030 (the “Notes”) in a private placement at par. The Notes were initially issued by Neogen Food Safety Corporation to 3M and were transferred and delivered by 3M to the selling securityholder in the offering, in satisfaction of certain of 3M’s existing debt. Upon closing of the 3M Food Safety transaction on September 1, 2022, the Notes became guaranteed on a senior unsecured basis by the Company and certain wholly-owned domestic subsidiaries of the Company.

The Company determined that the redemption features of the Notes did not meet the definition of a derivative and thus does not require bifurcation from the host liability and accordingly has accounted for the entire instrument at amortized cost.

Total accrued interest on the Notes was $3,438 as of February 29, 2024 and May 31, 2023 based on the stated interest rate of 8.625% and included in current liabilities on the condensed consolidated balance sheets. The Company incurred total debt issuance costs of $6,683, which are recorded as an offset to the Notes and amortized over the contractual life of the Notes to interest expense using the straight-line method. During the three and nine months ended February 29, 2024, the Company recorded $7,756 and $23,267 of interest expense for the Notes in the condensed consolidated statements of operations, of which $209 and $627 related to the amortization of deferred debt issuance costs, respectively. During the three and nine months ended February 28, 2023, the Company recorded $7,756 and $19,089 of interest expense in the consolidated statements of operations, of which $209 and $557 related to the amortization of deferred debt issuance costs. As of February 29, 2024 and May 31, 2023 the Company had $5,291 and $5,917, respectively, of unamortized debt issuance costs.

Finance Lease

The finance lease is a building lease that is classified within property and equipment and the current portion of debt on the condensed consolidated balance sheets as of February 29, 2024. The Company intends to elect the purchase option within the lease agreement prior to the end of the lease term.

Maturity of Term Loan and Senior Notes

There are no required principal payments through fiscal year 2026, due to $100,000 in prepayments made in fiscal 2023.

11. INCOME TAXES

The estimated annual effective tax rate ("EAETR") is derived from full-year pre-tax book earnings, statutory tax rates, and permanent differences between book and tax accounting across jurisdictions. For interim financial reporting, except in specified cases, the quarterly income tax provision aligns with the EAETR, updated each quarter based on revised full-year pre-tax book earnings. When projected full-year pre-tax book earnings are at or near breakeven, the EAETR may distort the interim income tax provision due to significant permanent differences. In such cases, the interim income tax provision is based on the year-to-date effective tax rate, adjusting for permanent differences proportionally.

In the three and nine months ending February 29, 2024, income taxes were calculated based on the year-to-date effective tax rate. In the three and nine months ending February 28, 2023, income taxes were calculated based on the EAETR.

Income tax benefit was $3,800 and $3,900 during the three and nine months ended February 29, 2024. Income tax benefit was $10,450 and $1,250 during the three and nine months ended February 28, 2023. The net tax benefit for all comparison periods is primarily related to pre-tax losses due to amortization expense and interest expense from the 3M FSD transaction.

The total amounts of unrecognized tax benefits that, if recognized, would affect the effective tax rate as of February 29, 2024 and May 31, 2023 are $1,949 and $1,087, respectively. Increases in unrecognized tax benefits are primarily associated with the acquired 3M FSD, including positions for transfer pricing and research and development credits.

12. 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. These annual remediation costs are expensed and have ranged from $38 to $131per year over the past five years. The Company's estimated remaining liability for these costs is $916 as of both February 29, 2024 and May 31, 2023, measured on an undiscounted basis over an estimated period of 15 years. In fiscal 2019, the Company performed an updated Corrective Measures Study on the site, per a request from the Wisconsin Department of Natural Resources (WDNR) and is currently 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. However, the Company has undertaken a pilot study in which chemical reagents were injected into the ground in an attempt to reduce on-site contamination. At this time, the outcome of the pilot study is unknown, but a change in the current remediation strategy, depending on the alternative selected, could result in an increase in future costs and ultimately, an increase in the currently recorded liability, with an offsetting charge to operations in the period recorded. The Company has recorded $100 as a current liability as of February 29, 2024, and the remaining $816 is recorded in other non-current liabilities in the condensed consolidated balance sheets.

In the third quarter of fiscal year 2024, the Company received $1,265 of business interruption insurance proceeds relating to fire damage that occurred in the fourth quarter of fiscal year 2023 at one of our Animal Safety lab facilities. The proceeds were recorded within Cost of Revenues in the condensed consolidated statements of operations.

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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.

13. DERIVATIVES

Derivatives Not Designated as Hedging Instruments

We forecast our The Company forecasts its net exposure in various receivables and payables to fluctuations in the value of various currencies, and have has entered into a number of foreign currency forward contracts each month to mitigate that exposure. These contracts are recorded net at fair value on our condensed consolidated balance sheets, classified as Level 2 in the fair value hierarchy. Gains and losses from these contracts are recognized in other income in our condensed consolidated statements of operations. The notional amount of forward contracts in place was $65,088 74,972 and $15,500 70,315 as of February 29, 2024 August 31, 2024 and May 31, 2023 May 31, 2024, respectively, and consisted of hedges of transactions up to January October 2024.

Fair Value of Derivatives Not Designated as Hedging Instruments	Balance Sheet Location	February 29, 2024	May 31, 2023	Balance Sheet Location	August 31, 2024	May 31, 2024
Foreign currency forward contracts, net	Other (payable) receivable	$ (160)	$ 140	Other current liabilities	$ 580	$ 265

The location and amount of gains (losses) from derivatives not designated as hedging instruments in our condensed consolidated statements of operations were as follows:

Derivatives Not Designated as Hedging Instruments	Location in statements of operations	Three Months Ended February 29, 2024	Three Months Ended February 28, 2023
Foreign currency forward contracts	Other income (expense)	$ 150	$ (1,564)

Derivatives Not Designated as Hedging Instruments	Location in statements of operations	Nine Months Ended February 29, 2024	Nine Months Ended February 28, 2023	Location in statements of operations	Three months ended August 31, 2024	Three months ended August 31, 2023
Foreign currency forward contracts	Other expense	$ (391)	$ (9,812)	Other expense	$ 634	$ 320

Derivatives Designated as Hedging Instruments

In November 2022, we entered into a receive-variable, pay-fixed interest rate swap agreement with an initial a $250,000 notional value, which is designated as a cash flow hedge. In accordance with the agreement, in November 2024, the notional value will decrease to $200,000. This agreement fixed a portion of the variable interest due on our term loan facility, with an effective date of December 2, 2022 and a maturity date of June 30, 2027. Under the terms of the agreement, we pay a fixed interest rate of 4.215%, plus an applicable margin ranging between 150 to 225 basis points and receive a variable rate of interest based on term SOFR from the counterparty, which is reset according to the duration of the SOFR term. The fair value of the interest rate swap as of February 29, 2024 August 31, 2024 and May 31, 2023 May 31, 2024 was a net (liability) asset (liability) of ($2,625) and $928 2,451 and ($2,683), respectively. The Company expects to reclassify a $2,091 241 gain of accumulated other comprehensive income into earnings in the next 12 months.

We record the fair value of our interest rate swaps on a recurring basis using Level 2 observable market inputs for similar assets or liabilities in active markets.

Fair Value of Derivatives Designated as Hedging Instruments	Balance Sheet Location	February 29, 2024	May 31, 2023	Balance Sheet Location	August 31, 2024	May 31, 2024
Interest rate swap – current	Other current assets	$ 2,091	$ 2,087	Other current assets	$ 317	$ 2,222

Interest rate swap – non-current	Other non-current liabilities	(1,163)	(4,770)	Other (non-current liabilities) non-current assets	$ (2,942)	$	229

Fair Value of Financial 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.

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The following table summarizes carrying amounts of the Company's financial instruments other comprehensive income before reclassifications of derivative gains than cash equivalents and losses: marketable securities, which include accounts receivable and accounts payable, approximate fair value based on either their short maturity or current terms for similar instruments.

	Other Comprehensive Income Before Reclassifications During			
	Three Months Ended		Nine Months Ended	
Derivatives Designated as Hedging Instruments	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
Interest rate swaps	$ 731	$ 3,083	$ 4,439	$ 655

The following table summarizes the reclassification of derivative gains and losses into net (loss) income from accumulated other comprehensive income (loss):

	Gain Reclassified During	
	Three Months Ended	Nine Months Ended

Derivatives Designated as Hedging Instruments	Location of Gain Reclassified	February 29, 2024	February 28, 2023	February 29, 2024	February 28, 2023
Interest rate swaps	Interest expense	$ 592	$ 105	$ 1,695	$ 105

25 9. ACCUMULATED OTHER COMPREHENSIVE LOSS

Accumulated other comprehensive loss changes by component, net of related tax, were as follows:

	Three months ended August 31, 2024	Three months ended August 31, 2023
Accumulated other comprehensive loss, beginning balance	$ (30,021)	$ (33,251)
Foreign currency translation adjustment		
Balance at beginning of period	$ (31,885)	$ (30,285)
Other comprehensive gain (loss) before reclassifications	2,459	3,223
Balance at end of period	$ (29,426)	$ (27,062)
Marketable securities		
Balance at beginning of period	$ -	$ (927)
Other comprehensive loss before reclassifications	-	-
Amounts reclassified from accumulated other comprehensive loss	-	576
Balance at end of period	$ -	$ (351)
Fair value of derivatives change		
Balance at beginning of period	$ 1,864	$ (2,039)
Other comprehensive (loss) gain before reclassifications	(3,271)	3,479
Amounts reclassified from accumulated other comprehensive loss	(588)	(523)
Balance at end of period	$ (1,995)	$ 917
Accumulated other comprehensive loss, ending balance	$ (31,421)	$ (26,496)

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, including statements relating to management's expectations regarding new product introductions; the adequacy of our sources for certain components, raw materials and finished products; and our ability to utilize certain inventory. For this purpose, any statements contained herein that are not statements of historical fact may be are 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. These forward-looking statements are intended to provide our current expectations or forecasts of future events; are based on current estimates, projections, beliefs, and assumptions; and are not guarantees of future performance. Actual events or results may differ materially from those described in the forward-looking statements. There are a number of important factors that could cause Neogen's results to differ materially from those indicated by such forward-looking statements, including circumstances many factors beyond our control at control. Factors that could cause actual results to differ from those contained within forward-looking statements include (without limitation) the continued integration of the 3M food safety business and the realization of the expected benefits from that acquisition; the relationship with and performance of our transition manufacturing partner, competition, partner; our ability to adequately and timely remediate certain identified material weaknesses in our internal control over financial reporting; competition; recruitment and retention dependence on of key employees, employees; impact of weather on agriculture and food production, production; global business disruption caused by the Russia invasion in Ukraine and related sanctions and the conflict between Israel and Hamas, in the Middle East; identification and integration of acquisitions, acquisitions; research and development risks, risks; intellectual property protection, protection; increasing and developing government regulation 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." Quarterly Report on Form 10-Q.

In addition, any forward-looking statements represent management's views only as of the day date 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.

TRENDS AND UNCERTAINTIES

In prior years, production was negatively impacted by broad supply chain challenges and labor market disruptions and other related impacts of the COVID-19 pandemic. disruptions. Additionally, input cost inflation, including increases in certain raw materials, negatively impacted operating results. In fiscal 2023, these negative impacts steadily improved throughout the fiscal year. In fiscal 2024, despite a slowing of inflation rates, there remains were economic headwinds of softening consumer demand and higher interest rates, coupled with ongoing geopolitical tension in certain regions.

Interest rates have risen sharply, particularly in fiscal 2023, as a way to combat inflation. This subsequently, increased our borrowing costs and raised the overall cost of capital. While Although the frequent increases have largely subsided, federal funds rate was reduced in September and there are indications of future rate cuts, the overall interest rate is significantly we pay on our Credit Facilities remains higher than when the debt was incurred in recent years, 2022, which increases interest expense on the unhedged portion of our Term Loan. In response to the historically high inflationary environment, we have taken took pricing actions to mitigate the impacts on the business. We anticipate that business in the prior two fiscal years. The impact of inflation will continue continued to affect us for the remainder of through fiscal year 2024, although at a continually decreasing rate compared to the prior two fiscal years. years 2022 and 2023.

Beginning in the second quarter first half of the fiscal year 2024, we implemented a new enterprise resource planning system and began the exit of exited our transition distribution agreements with 3M, which led to certain shipment delays and an elevated backlog of open orders, specifically in the Food Safety segment. Through our continued integration process, we expect our At the conclusion of fiscal year 2024, order fulfillment issues were largely resolved, and order fulfillment rates to improve had improved to meet the needs of our customers in this improving end-market environment. customers.

Although we have no operations in or direct exposure to Russia, Belarus and or Ukraine, we have experienced intermittent shortages in materials and increased costs for transportation, energy and raw materials due, in part, to the negative impact of the Russia-Ukraine military conflict, which began in February 2022, on the global economy. Our European operations and customer base have been negatively impacted by the conflict. Similarly, the military conflict between Israel and Hamas has conflicts in the Middle East have increased overall geopolitical tensions. As the respective conflicts continue or worsen, they may further impact our business, financial condition or results of operations throughout the remainder of fiscal year 2024. 2025.

We continue to evaluate the nature and extent to which these issues impact our business, including consolidated results of operations, financial condition and liquidity. We expect these issues to continue to impact us for the remainder of fiscal year 2024 and into throughout fiscal year 2025.

Executive Overview

	Three Months Ended February 29/28,			Nine Months Ended February 29/28,		
(in thousands)	2024	2023	% Change	2024	2023	% Change
Consolidated						
Revenues	$ 228,812	$ 218,255	5 %	$ 687,428	$ 580,637	18 %
*Core Sales Growth**			*6 %*			*2 %*
Food Safety						
Revenues	$ 157,754	$ 151,542	4 %	$ 488,435	$ 377,528	29 %
*Core Sales Growth**			*6 %*			*3 %*
Animal Safety						
Revenues	$ 71,058	$ 66,713	7 %	$ 198,993	$ 203,109	(2)%
*Core Sales Growth**			*7 %*			*(2)%*
% of International Sales	46 %	50 %		49 %	47 %	
Net (Loss) Income	$ (2,022)	$ 8,190		$ (4,006)	$ (28,442)	
(Loss) Earnings per Diluted Share	(0.01)	0.04		(0.02)	(0.16)	
Cash from (for) Operations				8,517	(49,938)	

	Three months ended August 31,		
	2024	2023	% Change
Total Revenues	$ 216,964	$ 228,987	$ (12,023)
Cost of Revenues	112,038	112,226	(188)
Gross Profit	104,926	116,761	(11,835)
Operating Expenses			
Sales and marketing	45,799	45,783	16
General and administrative	51,671	45,121	6,550
Research and development	5,199	6,722	(1,523)

Total Operating Expenses	102,669	97,626	5,043
Operating Income	2,257	19,135	(16,878)
Other Expense			
Interest income	993	1,790	(797)
Interest expense	(18,615)	(18,456)	(159)
Other, net	(244)	(806)	562
Total Other Expense	(17,866)	(17,472)	(394)
(Loss) Income Before Taxes	(15,609)	1,663	(17,272)
Income Tax (Benefit) Expense	(3,000)	160	(3,160)
Net (Loss) Income	$ (12,609)	$ 1,503	$ (14,112)

Results of Operations

*** Refer Revenues**

Revenue decreased $12.0 million during the three months ended August 31, 2024 compared to the non-GAAP financial measures section three months ended August 31, 2023. The decrease included a $9.0 million unfavorable foreign exchange rate impact and a $3.0 million decline in this document. the business. The decline in the business was driven by lower genomics volume due to a strategic shift to focus primarily on large production animals, lower sales of insect control and cleaners and disinfectants, and lower sales of sample collection products, partially offset by strength in indicator sales and rodent control products due to vole outbreak in the Northwest region of the U.S.

- Food Safety core sales exclude revenues from the 3M FSD transaction (September 2022), the Thai-Neo Biotech acquisition (July 2022), the Corvium acquisition (February 2023) and excludes the change in currency rates. Core sales also exclude the discontinued dairy antibiotics test kits, 3M temperature indicator product lines and shellfish toxin test kits.
- Animal Safety core sales exclude the change in currency rates and the discontinued Thyrokare product line.

Service Revenue

Service revenue, which includes consists primarily of genomics testing services provided to animal production and other laboratory services, companion animal markets, was $26.6 million $24.4 million and $77.0 million, respectively, $24.6 million during the three and nine months ended February 29, 2024. Service revenue was $27.6 million August 31, 2024 and $79.8 million, respectively, during the three and nine months ended February 28, 2023. The decrease 2023, respectively. Growth in the third quarter was primarily driven by customer attrition in the poultry market, partially offset by strength in genomics testing in the U.K. and China, and new business gained with our Neogen Analytics software as a service. service platform and genomics sales into beef markets was offset by lower genomics sales into the domestic poultry market, primarily due to a shift towards large production animals, as well as lower sales into the companion animal market.

International Revenue

International sales were $104.6 million $112.6 million and $338.6 million $117.9 million during the three and nine months ended February 29, 2024, compared to $108.3 million August 31, 2024 and $275.7 million 2023, respectively. The decrease during the three and nine months ended February 28, 2023. The increase August 31, 2024 was due to $9.0 million of currency headwinds, partially offset by strength in Petrifilm® indicator sales.

Gross Margin

Gross margin was 48.4% and 51.0% during the nine three months ended February 29, 2024 was primarily due to $63.8 million in international sales related to the 3M FSD transaction during the first quarter of fiscal 2024. August 31, 2024 and 2023, respectively. The decrease in sales in the third quarter as compared to the same period in the prior year margin was primarily due to lower sales volume and continued higher distribution costs. The change also included $4.2 million of food safety products in Asia transaction and Latin America due largely to product availability challenges.

Revenues

	Three Months Ended February 29/28,			
(in thousands)	2024	2023	Increase / (Decrease)	%
Food Safety				
Natural Toxins & Allergens	$ 19,738	$ 19,198	$ 540	3 %
Bacterial & General Sanitation	40,395	39,444	951	2 %
Indicator Testing, Culture Media & Other	81,168	77,955	3,213	4 %
Rodent Control, Insect Control & Disinfectants	10,136	9,550	586	6 %
Genomics Services	6,317	5,395	922	17 %
	157,754	151,542	6,212	4 %
Animal Safety				
Life Sciences	$ 1,372	$ 1,440	$ (68)	(5)%
Veterinary Instruments & Disposables	17,976	15,428	2,548	17 %
Animal Care & Other	10,066	8,735	1,331	15 %

Rodent Control, Insect Control & Disinfectants	23,055	20,242	2,813	14 %
Genomics Services	18,589	20,868	(2,279)	(11)%
	71,058	66,713	4,345	7 %
Total Revenues	$ 228,812	$ 218,255	$ 10,557	5 %

	Nine Months Ended February 29/28,			
(in thousands)	**2024**	**2023**	**Increase / (Decrease)**	**%**
Food Safety				
Natural Toxins & Allergens	$ 63,116	$ 61,236	$ 1,880	3 %
Bacterial & General Sanitation	128,393	91,293	37,100	41 %
Indicator Testing, Culture Media & Other	246,812	179,293	67,519	38 %
Rodent Control, Insect Control & Disinfectants	32,180	29,502	2,678	9 %
Genomics Services	17,934	16,204	1,730	11 %
	488,435	377,528	110,907	29 %
Animal Safety				
Life Sciences	$ 4,710	$ 4,456	$ 254	6 %
Veterinary Instruments & Disposables	47,845	46,534	1,311	3 %
Animal Care & Other	27,226	29,830	(2,604)	(9)%
Rodent Control, Insect Control & Disinfectants	65,694	63,121	2,573	4 %
Genomics Services	53,518	59,168	(5,650)	(10)%
	198,993	203,109	(4,116)	(2)%
Total Revenues	$ 687,428	$ 580,637	$ 106,791	18 %

Food Safety

Natural Toxins & Allergens – Revenuesin this category increased 3% integration costs during the three months ended February 29, 2024 August 31, 2024 compared to the same period in the prior year. Excluding currency impact and sales of drug residue test kits that were largely discontinued in fiscal 2023, core revenue in this category increased 5% primarily driven by sales of tree nut allergen test kits, as prior quarter domestic backlog was fulfilled, partially offset by lower natural toxin volumes due to shipping constraints. During the nine months ended February 29, 2024, revenues in this category increased 3% compared to the same period in the prior year. On a core growth basis, revenues increased 2% in the year-to-date period.

Bacterial & General Sanitation – Revenues in this category increased 2% and 41% $1.2 million during the three and nine months ended February 29, 2024, respectively, compared to the same periods in the prior year. On a core growth basis, revenues increased 3% and 5%, during the three and nine months ended February 29, 2024, respectively. The increase during both periods was driven primarily by strength in our general sanitation product lines and strong placements of Soleris® microbiological diagnostic equipment.

Indicator Testing, Culture Media & Other – Revenues in this category increased 4% and 38% during the three and nine months ended February 29, 2024, respectively, compared to the same periods in the prior year. Core growth was 7% during the quarter and 2% during the year-to-date period. The increase in the third quarter was due to higher volumes of indicators, partially offset by lower sales of culture media due to a large non-recurring sale of custom product in the prior year. For the nine months, higher volumes of indicators were partially offset by the non-recurring culture media sale and a first-quarter decline in sales of Megazyme food quality and nutritional analysis products, due to distributor ordering patterns.

Rodent Control, Insect Control & Disinfectants – Revenues in this category increased 6% and 9% during the three and nine months ended February 29, 2024, respectively, compared to the same periods in the prior year. During the quarter, core growth was 2%, driven by a large tender sale of insect control products in Brazil, as well as higher cleaner and disinfectant sales in China. On a year-to-date basis, core revenue increased 4%, driven primarily by insect control product sales in Brazil and strong cleaner and disinfectant sales in Europe in the first half of the fiscal year.

Genomics Services – Revenuesof genomics services sold through our international Food Safety operations increased 17% and 11% during the three and nine months ended February 29, 2024, respectively, compared to the same periods in the prior year. Core growth in this category was 17% in the third quarter, driven by increased sales in Europe and new business in China. On a year-to-date basis, core growth was 9% for the same reasons.

Animal Safety

Life Sciences – Revenues in this category decreased 5% and increased 6% during the three and nine months ended February 29, 2024, respectively, compared to the same periods in the prior year; core revenue was the same for both periods. During the quarter, lower sample volumes from forensic customers contributed to the decrease, while, for the year-to-date period, the increase was primarily driven by increased demand for substrates from manufacturers of diagnostic tests.

Veterinary Instruments & Disposables – Revenues in this category increased 17% and 3% during the three and nine months ended February 29, 2024 compared to the same periods in the prior year; core revenue increases were the same for both periods. The increase in the third quarter was driven by higher sales of detectable needles and syringes to our large veterinary distributors. For the year-to-date period, third quarter revenue increases were partially offset by inventory de-stocking with the same distributors in the first and second quarters.

Animal Care & Other – Revenues of these products increased 15% and decreased 9% the three and nine months ended February 29, 2024, respectively, compared to the same periods in the prior year. Core growth in this category, which excludes currency impact and the discontinued Thyrokare product line, increased 17% and decreased 7% during the three and nine months ended February 29, 2024, respectively. The increase within the quarter was primarily driven by relief of vitamin injectable backorders as well as distributor sales recovery. The decrease during the year-to-date period was driven by lower sales of small animal supplements and wound care products caused primarily by distributor ordering patterns.

Rodent Control, Insect Control & Disinfectants – Revenues increased 14% and 4% during the three and nine months ended February 29, 2024, respectively, compared to the same periods in the prior year; core revenue increases were the same for both periods. The revenue increase for the quarter was driven by success of marketing programs within insect control products and higher sales of domestic cleaners and disinfectants to combat avian influenza.

Genomics Services – Revenues in this category decreased 11% and 10% during the three and nine months ended February 29, 2024, respectively, compared to the same periods in the prior year. Core growth declined 10% during the quarter and 9% for the year-to-date. Core revenue in both periods was negatively impacted by customer attrition associated with a strategic shift in the business to focus primarily on large production animals.

Gross Profit

Gross margin was 51.1% and 51.0% during the three and nine months ended February 29, 2024, respectively, compared to 49.5% and 48.7% during the three and nine months ended February 28, 2023, respectively. The increase in the third quarter was primarily due to increased sales of higher-margin products in our Food Safety segment. The increase in the year-to-date period was primarily due to incremental revenues from the FSD transaction, which generated gross margin higher than the legacy company average gross margin. Within each reporting segment, increased raw material costs continue to pressure gross margins in certain product lines. However, while inflation continues to impact the business, the rate of raw material price and freight costs changes have significantly declined throughout both the current and prior year comparative periods. Finally, pricing actions taken during these periods also mitigated the impact of cost increases. August 31, 2023.

Operating Expenses

Operating expenses were $104.9 million $102.7 million and $304.8 million $97.6 million during the three and nine months ended February 29, 2024, respectively, compared to $92.3 million August 31, 2024 and $268.7 million for the same periods in the prior year. 2023, respectively. The increase during the three and nine months ended February 29, 2024 August 31, 2024 was primarily the result of increased compensation, as well as higher shipping and information technology costs. The costs added to accommodate the increased size and complexity of the Company following the FSD transaction, associated with our enterprise resource planning system, which was implemented on September 1, 2023, were not fully reflected in the prior year comparable period.

Sales and Marketing

Sales and marketing expenses were $47.9 million and $138.5 million $45.8 million during the three and nine months ended February 29, 2024, respectively, compared to $38.6 million August 31, 2024 and $98.3 million during 2023, respectively. We experienced higher shipping costs in the three and nine months ended February 28, 2023, respectively. The increase was primarily driven by incremental costs resulting from the FSD transaction, including compensation and related expenses for the acquired sales and marketing teams and higher costs related to inefficiencies current year, as we took over distribution of FSD products from 3M. 3M during the second and third quarters of the prior fiscal year. This increase was offset by a decrease in fees paid to 3M for distribution services and lower royalty expense.

General and Administrative

General and administrative were $51.7 million and $45.1 million during the three months ended August 31, 2024 and 2023, respectively. For the Food Safety and Animal Safety segments, expenses were relatively consistent compared to the prior-year period. Within Corporate, increases were driven by compensation and related expenses, primarily due to additional headcount, and higher costs associated with our prior-year enterprise resource planning system implementation. Additionally, there were increases in stock compensation expense compared to the prior-year comparable period, primarily driven by the timing of our annual grant in the current year and increases in equity-based compensation.

General and administrative expenses were $52.1 million includes amortization expense relating to definite-lived intangible assets of $23.6 million and $148.9 million during the three and nine months ended February 29, 2024, respectively, compared to $46.4 million and $151.4 million during the three and nine months ended February 28, 2023, respectively. Increases $23.7 million during the three months ended February 29, 2024 were primarily August 31, 2024 and 2023, respectively. Estimated amortization expense for fiscal years 2025 through 2029 is expected to be in the result range of additional personnel hired approximately $91 million to accommodate the increased size $96 million per year.

Research and complexity of the organization, compensation increases, the issuance of share-based compensation grants, software license fees and other information technology infrastructure investments. The year-to-date decline was primarily the result of lower transaction fees and integration expenses compared to the prior year comparable period. These decreases were partially offset by the additional costs previously identified. Development

Research and development expense was $4.9 million $5.2 million and $17.3 million $6.7 million during the three and nine months ended February 29, 2024, respectively, compared to $7.3 million August 31, 2024 and $19.0 million in the same periods of the prior year. 2023, respectively. The decrease during the three and nine months ended February 29, 2024 August 31, 2024 is primarily the result of lower contracted services and employee costs in the Food Safety segment, as we continue to integrate the 3M FSD business and realize synergies in certain areas.

Operating Income Other Expense

Operating income

Other expense was $12.0 million $17.9 million and $45.6 million $17.5 million during the three and nine months ended February 29, 2024 respectively, compared August 31, 2024 and 2023, respectively. The increase in expense was due to an operating a reduction in interest income of $15.7 million and $14.1 million during the three and nine months associated with our money market

ended February 28, 2023, respectively. Decreases in operating income during the three months ended February 29, 2024 compared to the prior year quarter reflect increased operating expenses to accommodate the increased size portfolio balance and complexity of the Company. Operating income increased during the nine months ended February 29, 2024 compared to the prior year primarily due to incremental revenues and higher gross profits from the FSD transaction. The prior year also included transaction and integration costs of $55.8 million during the nine months ended February 28, 2023 compared to $12.1 million during the nine months ended February 29, 2024.

Other (Expense)/Income

	Three Months Ended February 29/28,		Nine Months Ended February 29/28,	
(in thousands)	2024	2023	2024	2023
Interest income	$ 1,612	$ 640	$ 5,265	$ 2,163
Interest expense	(18,285)	(17,460)	(54,773)	(38,007)
Foreign currency transactions	(1,107)	243	(3,642)	(6,287)
(Loss) gain on sale of minority interest	-	(1,516)	74	(1,516)

Contingent consideration adjustments	200	300	(250)	300
Other	(265)	(151)	(203)	(435)
Total Other Expense	$ (17,845)	$ (17,944)	$ (53,529)	$ (43,782)

Interest expense recorded during the three and nine months ended February 29, 2024 was the result of debt incurred to fund the 3M transaction. In the first quarter of fiscal 2023, the Company had no debt outstanding. Interest income relates to earnings on our marketable securities and money market account portfolio. Higher balances in money market portfolios with higher yields drove the an increase in interest income for the three and nine months ended February 29, 2024. Other (expense) income resulting from foreign currency transactions was the exchange transaction loss as a result of changes in the value of foreign currencies relative to the U.S. dollar in countries in which we operate.

Provision for Income Taxes

Income tax benefit was $3.8 million and $3.9 million $3.0 million during the three and nine months ended February 29, 2024, respectively, August 31, 2024 compared to $10.5 million and $1.3 million income tax expense of $0.2 million during the three and nine months ended February 28, 2023, respectively. August 31, 2023. The net tax benefit for all comparison periods the quarter is primarily related to pre-tax losses due to amortization expense and interest expense from the 3M FSD transaction. acquisition. The OECD Pillar 2 global minimum tax rules, which generally provide for a minimum effective tax rate of 15%, are intended to apply for tax years beginning in 2024. We have included in our income tax benefit during the three months ended August 31, 2024, a forecasted amount of top-up tax for our foreign subsidiaries as required under the applicable rules of the countries that have adopted the Pillar Two directives.

The total amounts of unrecognized tax benefits that, if recognized, would affect the effective tax rate as of February 29, 2024 August 31, 2024 and May 31, 2023 are $1.9 million May 31, 2024 were $3.3 million and $1.1 million $2.7 million, respectively. Increases in unrecognized tax benefits are primarily associated with the acquired 3M FSD, transaction, including positions for transfer pricing and research and development credits.

Net (Loss) Income Segment Results of Operations

	Three months ended August 31,			
	2024	**2023**	**Increase / (Decrease)**	**% Change**
Food Safety	$ 159,345	$ 166,278	$ (6,933)	(4)%
Animal Safety	57,619	62,709	(5,090)	(8)%
Total Revenues	$ 216,964	$ 228,987	$ (12,023)	(5)%
Food Safety	$ 17,905	$ 22,241	$ (4,336)	(19)%
Animal Safety	2,589	8,356	(5,767)	(69)%
Segment Operating Income	$ 20,494	$ 30,597	$ (10,103)	(33)%
Corporate	(18,237)	(11,462)	(6,775)	59 %

Operating Income	$	2,257	$	19,135	$	(16,878)	(88)%

Revenues

Net loss was $2.0 million and $4.0 million during Revenue for the three and nine months ended February 29, 2024, respectively, compared to net income of $8.2 million and net loss of $28.4 million during the three and nine months ended February 28, 2023, respectively. The net loss Food Safety segment decreased $6.9 million during the three months ended February 29, 2024 August 31, 2024 compared to net income the three months ended August 31, 2023. The decline was primarily due to $9.0 million of currency headwind, partially offset by $1.8 million of growth in the business and a $0.3 million impact from discontinued products. The growth was driven by strength in the indicator testing, culture media and other product category, partially offset by lower sales in the bacterial and general sanitation and natural toxins and allergens product categories.

Revenue for the Animal Safety segment decreased $5.1 million during the three months ended February 28, 2023 reflects additional expenses August 31, 2024 compared to accommodate the integration of the FSD business. three months ended August 31, 2023. The decrease included a $4.9 million decline in net loss the business and a $0.2 million impact from discontinued product lines. The decline was driven primarily by lower sales in the biosecurity and animal care and other product categories, as well as lower genomics volume due to a shift to focus primarily on large production animals.

Operating Income

Operating income for the Food Safety segment decreased $4.3 million during the nine three months ended February 29, 2024 August 31, 2024 compared to the three months ended August 31, 2023. The decline was primarily due to lower gross profit and operating expenses that did not decrease at the result of higher transaction fees and integration costs same rate as the decrease in sales.

Operating income for the prior year, which were $55.8 million Animal Safety segment decreased $5.8 million during the nine three months ended February 28, 2023 August 31, 2024 compared to the three months ended August 31, 2023. The decline was due to lower gross profit and an increase in operating expenses.

The increased Corporate expense related to headcount increases and costs associated with our new enterprise resource planning system, which contributed to the overall decline in operating income.

Non-GAAP Financial Measures

This report includes certain financial information for the Company that differs from what is reported in accordance with U.S. GAAP. These non-GAAP financial measures consist of core revenue growth, EBITDA, Adjusted EBITDA, and Adjusted EBITDA margin, Adjusted Net Income and Adjusted Earnings per Share. margin. These non-GAAP financial measures are included in this report because management believes that they provide investors with additional useful information to measure the performance of the Company, and because these non-GAAP financial measures are frequently used by securities analysts, investors and other interested parties as common performance measures to compare results or estimate valuations across companies in industries the Company operates in.

Core revenue growth

We define core revenue growth The Company also uses Adjusted EBITDA as net sales for a performance target to establish and award certain executive compensation awards, as disclosed in our proxy statement filed with the period excluding the impacts of foreign currency translation rates, the first-year impacts of acquisitions Securities and divestitures, where applicable, and net sales from discontinued product lines. We present core revenue growth because it allows for a meaningful comparison of results across periods without the volatility caused by foreign currency gains or losses, or the incomparability that would be caused by the impact of an acquisition or divestiture. Exchange Commission filed on September 13, 2024.

EBITDA

We define EBITDA as net income before interest, income taxes, and depreciation and amortization. We present EBITDA as a performance measure because it may allow for a comparison of results across periods and results across companies in the industries in which Neogen operates on a consistent basis, by removing the effects on operating performance of (a) capital structure (such as the varying levels of interest expense and interest income), (b) asset base and capital investment cycle (such as depreciation and amortization) and (c) items largely outside the control of management (such as income taxes). EBITDA also forms the basis for the measurement of Adjusted EBITDA (discussed below).

Adjusted EBITDA

We define Adjusted EBITDA as EBITDA, adjusted for share-based compensation and certain transaction fees and expenses. We present Adjusted EBITDA because it provides an understanding of underlying business performance by excluding the following:

- *Share-based compensation*. We believe it is useful to exclude share-based compensation to better understand the long-term performance of our core business and to facilitate comparison with the results of peer companies.
- *FX translation (gain)/loss on loan revaluation and other revaluation*. We exclude the revaluation impacts of foreign currency fluctuations on our intercompany loan balances that we initiated in conjunction with the FSD transaction a other non-hedged foreign currency fluctuations resulting from 3M agreements.
- *Certain transaction fees and integration* costs. We exclude fees and expenses related to certain transactions beca they are outside of Neogen's underlying core performance. These fees and expenses include deal related

professional and legal fees and costs incurred to integrate acquired businesses.

- *Other one-time adjustments.* We exclude one-time adjustments recorded within operating income to better understand the long-term performance of our core business.Severance and other employment costs

32 •Contingent consideration adjustments

•ERP Expense

- Discontinued product line expense
- Other income and expense items

Adjusted EBITDA margin

We define Adjusted EBITDA margin as Adjusted EBITDA as a percentage of total revenues. We present Adjusted EBITDA margin as a performance measure to analyze the level of Adjusted EBITDA generated from total revenue.

Adjusted Net Income

We define Adjusted Net Income as Net Income, adjusted for share-based compensation, FX translation gain/(loss) on loan revaluation, certain transaction fees and expenses, and other one-time adjustments, all of which are tax effected.

Adjusted Earnings per Share

We define Adjusted Earnings per Share as Adjusted Net Income divided by diluted average shares outstanding.

These non-GAAP financial measures are presented for informational purposes only. Core Revenue Growth, EBITDA, Adjusted EBITDA and Adjusted EBITDA margin Adjusted Net Income and Adjusted Earnings per Share are not recognized terms under GAAP and should not be considered in isolation or as a substitute for, or superior to, net (loss) income, (loss), operating income, cash flow from operating activities or other measures of financial performance. This information does not purport to represent the results Neogen would have achieved had any of the transactions for which an adjustment is made occurred at the beginning of the periods presented or as of the dates indicated. This information is inherently subject to risks and uncertainties. It may not give an accurate or complete picture of Neogen's financial condition or results of operations for the periods presented and should not be relied upon when making an investment decision.

The use of the terms EBITDA, Adjusted EBITDA, and Adjusted EBITDA margin Adjusted Net Income and Adjusted Earnings per Share may not be comparable to similarly titled measures used by other companies or persons due to potential differences in the method of calculation.

These non-GAAP financial measures have limitations as analytical tools. For example, for EBITDA-based metrics:

- they do not reflect changes in, or cash requirements for, Neogen's working capital needs;
- they do not reflect Neogen's tax expense or the cash requirements to pay taxes;
- they do not reflect the historical cash expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect any cash requirements for future replacements of assets that are being depreciated and amorti; and
- they may be calculated differently from other companies in Neogen's industries limiting their usefulness as comparative measures.

A reader should compensate for these limitations by relying primarily on the financial statements of Neogen and using these non-GAAP financial measures only as a supplement to evaluate Neogen's performance.

For each of these non-GAAP financial measures below, we are providing a reconciliation of the differences between the non-GAAP measure and the most directly comparable GAAP measure.

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Reconciliation between net (loss) income and EBITDA and Adjusted EBITDA and between net (loss) income margin % and Adjusted EBITDA margin % are as follows:

	Three Months Ended February 29/28,		Nine Months Ended February 29/28,		Three months ended August 31,
(in thousands, except for percentages)	2024	2023	2024	2023	
	2024	2023			

Net (loss) income	$ (2,022)	$ 8,190	$ (4,006)	$ (28,442)	$ (12,609)	$ 1,503
Net (loss) income margin %	-0.9 %	3.8 %	-0.6 %	-4.9 %	-5.8 %	0.7 %
Income tax benefit	(3,800)	(10,450)	(3,900)	(1,250)		
Income tax (benefit) expense	(3,000)	160				
Depreciation and amortization	29,650	27,471	87,853	59,938	29,800	28,734
Interest expense, net	16,673	16,820	49,508	35,844	17,622	16,666
EBITDA	**$ 40,501**	**$ 42,031**	**$ 129,455**	**$ 66,090**	**$ 31,813**	**$ 47,063**
Share-based compensation	3,679	2,812	9,829	7,311	3,982	2,638
FX transaction loss (gain) on loan and other revaluation (1)	638	(697)	1,350	5,092		
FX transaction gain on loan and other revaluation (1)	(320)	(290)				
Certain transaction fees and integration costs (2)	5,451	2,890	12,090	55,754	5,122	1,951
Restructuring (2)	938	—	3,353	—		
Severance and other employment costs	370	559				
Contingent consideration adjustments	(200)	(300)	250	(300)	—	300
ERP expense (3)	1,701	—	3,904	—	1,835	128
Discontinued product line expense (4)	33	3,633	53	3,633	912	20
Loss (recovery) on sale of minority interest	—	1,516	(74)	1,516		
Inventory step-up charge	—	(614)	—	3,245		
Adjusted EBITDA	**$ 52,741**	**$ 51,271**	**$ 160,210**	**$ 142,341**	**$ 43,714**	**$ 52,369**
Adjusted EBITDA margin %	*23.0 %*	*23.5 %*	*23.3 %*	*24.5 %*	*20.1 %*	*22.9 %*

(1) Net foreign currency transaction loss gain associated with the revaluation of non-functional currency foreign denominated intercompany loans established in connection with the 3M Food Safety transaction and other non-hedged foreign currency revaluation resulting from 3M agreements.

(2) Includes costs associated with consolidation the 3M transaction, including various transition agreements. $4.2 milli is included within Cost of U.S. genomics labs. Revenues.

(3) Non-capitalizable expenses Expenses related to ERP implementation.

(4) Expenses associated with certain discontinued product lines. Amounts are recorded within Cost of Revenues.

Adjusted EBITDA increased $1.5 million decreased $8.7 million during the three months ended February 29, 2024 and increased $17.9 million during the nine months ended February 29, 2024 August 31, 2024. Expressed as a percentage of revenue, adjusted Adjusted EBITDA was 23.0% 20.1% and 23.3% 22.9% during the three and nine months ended February 29, 2024, respectively, compared to 23.5% August 31, 2024 and 24.5% during the three and nine months ended February

28, 2023, 2023, respectively. The lower Adjusted EBITDA margin in the current year was driven primarily by lower sales and higher operating expenses compared to the prior-year periods, reflecting additions to accommodate the integration of the 3M FSD.

Reconciliation between net (loss) income and Adjusted Net Income and earnings per share and Adjusted Earnings per Share are as follows:

	Three Months Ended February 29/28,		Nine Months Ended February 29/28,	
(in thousands, except per share amounts)	**2024**	**2023**	**2024**	**2023**
Net (loss) income	$ (2,022)	$ 8,190	$ (4,006)	$ (28,442)
(Loss) earnings per diluted share	*$ (0.01)*	*$ 0.04*	*$ (0.02)*	*$ (0.16)*
Amortization of acquisition-related intangibles	23,266	22,680	69,685	46,637
Share-based compensation	3,679	2,812	9,829	7,311
FX transaction loss (gain) on loan and other revaluation (1)	638	(697)	1,350	5,092
Certain transaction fees and integration costs	5,451	2,890	12,090	55,754
Restructuring (2)	938	—	3,353	—
Contingent consideration adjustments	(200)	(300)	250	(300)
ERP expense (3)	1,701	—	3,904	—
Discontinued product line expense	33	3,633	53	3,633
Loss (recovery) on sale of minority interest	—	1,516	(74)	1,516
Inventory step-up charge	—	(614)	—	3,245
Other adjustments(4)	—	1,514	—	5,864
Estimated tax effect of above adjustments (5)	(7,046)	(15,095)	(21,446)	(24,864)
Adjusted Net Income	**$ 26,438**	**$ 26,529**	**$ 74,988**	**$ 75,446**
Adjusted Earnings per Share	$ 0.12	$ 0.12	$ 0.35	$ 0.42

(1) Net foreign currency transaction loss associated with the revaluation of non-functional currency intercompany loan established in connection with the 3M Food Safety transaction and other non-hedged foreign currency revaluation

resulting from 3M agreements.

(2) Includes costs associated with consolidation of U.S. genomics labs.

(3) Non-capitalizable expenses related to ERP implementation.

(4) Income tax benefit associated with non-deductible transaction costs that were recognized as expense in prior peri

(5) Tax effect of adjustments is calculated using projected effective tax rates for each applicable item.

Adjusted Net Income decreased $0.1 million and $0.5 million, respectively, during the three and nine months ended February 29, 2024. The decreases are driven primarily by higher depreciation expense, partially offset by increases in Adjusted EBITDA. period.

Financial Condition and Liquidity

The overall Our primary sources of liquidity are cash and cash equivalents, and marketable securities position of Neogen was $168.4 million as of February 29, 2024, compared to $245.6 million as of May 31, 2023. Cash from operating activities was $8.5 million during the nine months ended February 29, 2024 compared to cash for operating activities of $49.9 million during the nine months ended February 28, 2023. The net inflow during the nine months ended February 29, 2024 was primarily the result of fewer transaction fees and lower net loss. Cash for investing activities was $11.8 million during the nine months ended February 29, 2024, which was primarily the result of purchases of property and equipment of $87.2 million, partially offset by proceeds flows from the sale operations of marketable securities our business, and available borrowing capacity under our revolving facility. Our principal uses of $75.3 million. Cash from investing activities was $194.2 million during the nine months ended February 28, 2023. Cash from financing activities was $2.0 million during the nine months ended February 29, 2024 compared to cash for financing activities of $118.3 million during the nine months ended February 28, 2023. include working capital-related items, capital expenditures, debt service, and strategic investments.

Net accounts receivable balances were $173.6 million as of February 29, 2024 compared to $153.3 million as of May 31, 2023. Days' sales outstanding, a measurement of the time it takes to collect receivables, was 65 days as of February 29, 2024, compared to 57 days as of May 31, 2023 and 62 days as of February 28, 2023.

As part of transition services agreements between the Company and 3M, related to the merger of the Food Safety business, 3M invoiced our customers for products that 3M manufactured and shipped on our behalf through

December 2023. We have completed the exit of distribution and back office-related service contracts and currently only have a contract manufacturing agreement in place with 3M for certain products. As of February 29, 2024, there were $5.5 million in customer receivables billed by 3M on our behalf, compared to $57.3 million as of May 31, 2023.

Net inventory was $182.4 million as of February 29, 2024, an increase of $48.6 million, compared to a May 31, 2023 balance of $133.8 million. The higher inventory levels are primarily the result of the Company now stocking FSD products manufactured by 3M.

We expect to spend approximately $130 million in capital expenditures in fiscal year 2024; $100 million of the total is related to our new building, systems implementation and related FSD integration projects.

Debt and Liquidity

On September 1, 2022, Neogen, 3M, and Neogen Food Safety Corporation, a subsidiary of 3M created to carve out 3M's Food Safety business, closed on the FSD transaction that previously was announced in December 2021, combining 3M's Food Safety business with Neogen in a Reverse Morris Trust transaction.

In June 2022, Neogen Food Safety Corporation entered into a credit agreement consisting of a five-year senior secured term loan facility in the amount of $650 million and a five-year senior secured revolving facility in the amount of $150 million (collectively, the "Credit Facilities"), which became available in connection with the merger and related transactions. The loan facility was funded to Neogen Food Safety Corporation on August 31, 2022, and upon the effectiveness of the merger on September 1, 2022, became Neogen's obligation through a non-cash transaction. Financial covenants include maintaining specified levels of funded debt to EBITDA and debt service coverage. The Credit Facilities, together with the Notes described below, represent the financing incurred in connection with the merger of the 3M FSD with Neogen. In accordance with the prepayment feature, the Company paid $100 million of the term loan facility's principal in fiscal year 2023, in order to decrease the outstanding debt balance.

In July 2022, Neogen Food Safety Corporation closed on an offering of $350 million aggregate principal amount of 8.625% senior notes due 2030 (the "Notes") in a private placement at par. The Notes were initially issued by Neogen Food Safety Corporation to 3M and were transferred and delivered by 3M to the selling securityholder in the offering, in satisfaction of certain of 3M's existing debt. Neogen Food Safety Corporation did not receive any proceeds from the sale of the Notes by the selling securityholder. Prior to the distribution of the shares of Neogen Food Safety Corporation's common stock to 3M stockholders, the Notes were guaranteed on a senior unsecured basis by 3M. Upon consummation of such distribution, 3M was released from all obligations under its guarantee. Upon the effectiveness of the merger on September 1, 2022, the Notes became guaranteed on a senior unsecured basis by Neogen and certain wholly-owned domestic subsidiaries of Neogen through a non-cash transaction.

In addition to the 3M transaction described above, our Our future cash generation and borrowing capacity may not be sufficient to meet cash requirements to fund the operating business, repay debt obligations, construct new manufacturing facilities, commercialize products currently under development or execute our future plans to acquire additional businesses, technology and products that fit within our strategic plan. Accordingly, we may be required, or may choose, to issue additional equity securities or enter into other financing arrangements for a portion of our future capital needs. However, we continuously monitor and forecast our liquidity situation in light of industry, customer and economic factors, and take the necessary actions to preserve our liquidity and evaluate other financial alternatives that may be available to us should the need arise. As a result, we believe that our cash flows from operations, cash on hand, and borrowing capacity will enable us to fund the operating business, repay debt obligations, construct new manufacturing facilities, commercialize products currently under development, and execute our strategic plans.

We are subject to certain legal and other proceedings in the normal course of business that have not had, and, in the opinion of management, are not expected to have, a material effect on our results of operations or financial position.

As of August 31, 2024, we had cash and cash equivalents of $120.5 million, and borrowings available under our revolving line of credit of $150.0 million.

In June 2022, Neogen Food Safety Corporation entered into a credit agreement consisting of a five-year senior secured term loan facility ("term loan facility") in the amount of $650 million and a five-year senior secured revolving facility ("revolving facility") in the amount of $150 million (collectively, the "Credit Facilities"). The term loan facility was drawn on August 31, 2022 while the revolving facility remained undrawn and continues to be undrawn as of August 31, 2024. The term loan facility matures on June 30, 2027 and the revolving facility matures at the earlier of June 30, 2027 and the termination of the revolving commitments.

In July 2022, Neogen Food Safety Corporation closed on an offering of $350 million aggregate principal amount of 8.625% senior notes due in 2030.

The finance lease is a building lease that is classified within property and equipment and the current portion of debt on the condensed consolidated balance sheets as of August 31, 2024. The Company intends to elect the purchase option within the lease agreement prior to the end of the lease term.

There are no required principal payments through fiscal year 2026. Financial covenants include maintaining specified levels of funded debt to EBITDA, and debt service coverage. As of August 31, 2024, the Company was in compliance with all financial covenants under the Credit Facilities.

Cash Flows

Three months ended August 31

	Three months ended August 31,		
	2024	2023	Increase / (Decrease)
Net Cash (used for) provided by Operating Activities	$ (17,914)	$ 23,009	$ (40,923)
Net Cash used for Investing Activities	$ (33,662)	$ (8,684)	$ (24,978)
Net Cash provided by Financing Activities	$ 979	$ 1,062	$ (83)

Net Cash (used for) provided by Operating Activities

Net cash (used for) provided by operating activities decreased $40.9 million during the three months ended August 31, 2024 compared to the three months ended August 31, 2023. The decrease is due to a reduction in income from operations and unfavorable changes in working capital. Changes in working capital are as follows:

- Unfavorable change in Accounts Receivable primarily due to a timing of sales during the three months ended Aug 31, 2024 and higher days sales outstanding.
- Unfavorable change in Inventory primarily due to lower sales in the first quarter of the current fiscal year and the buildup of higher-volume inventory items.
- Unfavorable change in Accounts Payable primarily due to the timing of payments and the impact of exiting the transition distribution agreements.

Net Cash used for Investing Activities

Cash used for investing activities increased $25.0 million during the three months ended August 31, 2024, compared to the three months ended August 31, 2023. The increase was primarily the result of lower proceeds from marketable securities during the three months ended August 31, 2024 compared to the three months ended August 31, 2023 and an increase of purchases of property and equipment of $7.8 million, partially offset by proceeds from the sale of certain property and equipment during the three months ended August 31, 2024.

Net Cash provided by Financing Activities

Cash provided by financing activities was flat during the three months ended August 31, 2024 compared to the three months ended August 31, 2023.

We continue to make investments in our business and operating facilities. Our estimate for capital expenditures in fiscal 2025 is $85 million. This includes approximately $55 million in capital expenditures related to the integration of the acquired 3M FSD products, the most significant portion of which is related to the construction of, and acquisition of equipment for, our new manufacturing facility in Lansing, Michigan.

PART I – FINANCIAL INFORMATION

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We have continuously evaluate our exposure to currency exchange and interest rate and risk. There have been no meaningful changes in our exposure to risk associated with fluctuations in foreign currency exchange rate risk exposure but no long-term fixed rate investments. Our primary interest rate risk is due to potential fluctuations of rates and interest rates for our variable rate borrowings.

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 our variable-rate borrowings under the U.S. dollar. As such, our operating results are exposed to changes in exchange rates. 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. We use derivative financial instruments to help manage the economic impact of fluctuations in certain currency exchange rates. These contracts are adjusted to fair value through earnings.

Neogen has assets, liabilities and operations outside of the U.S. Our investments in foreign subsidiaries are considered long-term. As Credit Facilities from that discussed in ITEM 1A. RISK FACTORS of our Annual Report on Form 10-K for the year ended May 31, 2023, our financial condition and results of operations could be adversely affected by currency fluctuations.

The following table sets forth the potential loss in future earnings or fair values, resulting from hypothetical changes in relevant market rates or prices:

Risk Category	**Hypothetical Change**	**February 29, 2024**	**Impact**
(in thousands)			
Foreign Currency—Revenue	10% Decrease in exchange rates	$ 10,459	Earnings
Foreign Currency—Hedges	10% Decrease in exchange rates	6,509	Fair Value
Interest Income	10% Decrease in interest rates	488	Earnings
Interest Expense	10% Increase in interest rates	2,305	Earnings

10-K.

PART I – FINANCIAL INFORMATION

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and (ii) accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of February 29, 2024 August 31, 2024 was carried out under the supervision and with the participation of the Company's management, including the President & Chief Executive Officer and Chief Financial Officer ("the Certifying Officers"). Based on the evaluation, the Certifying Officers concluded that the Company's disclosure controls and procedures were not effective because of previously reported material weaknesses in our internal control over financial reporting, which we describe in Part II, Item 9A of our Annual Report on Form 10-K for the year ended May 31, 2023 May 31, 2024.

Material Weaknesses

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our financial statements will not be prevented or detected on a timely basis.

As disclosed in Item 9A of our Annual Report on Form 10-K for the year ended May 31, 2023 May 31, 2024, management identified the following material weaknesses in internal controls over financial reporting during the year ended that existed as of May 31, 2023 and continued as of May 31, 2024: (1) information technology general controls ("ITGCs") in the areas of user access and change management over certain information technology systems that support the Company's financial reporting process and the manual business process controls dependent on the affected ITGCs, and (2) ineffective period-end invoice accrual controls, and (3) ineffective operation of management review controls related to the accounting, valuation and purchase price allocation of the Company's acquisitions and associated goodwill. controls.

Ongoing Remediation Efforts to Address the Previously Identified Material Weaknesses

As previously disclosed in our Annual Report on Form 10-K for the year ended May 31, 2023 May 31, 2024, management concluded that our internal controls over financial reporting were not effective as of May 31, 2023 May 31, 2024.

Management is in the process of enhancing, and will continue to enhance, the risk assessment process and design and implementation of internal controls over financial reporting. The remediation measures to correct the previously identified material weaknesses include enhancing the design and implementation of existing controls and creating new controls as needed to address identified risks and providing additional training to personnel including the appropriate level of documentation to be maintained to support internal controls over financial reporting. risks.

As we continue to evaluate and work to improve our internal control over financial reporting, management may determine to take additional measures to strengthen controls or to modify the remediation plan described above. When fully implemented and operational, we believe the controls we have designed or plan to design will remediate the control deficiency that has led to the material weaknesses that we have identified. The previously identified material weaknesses will not be considered remediated until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

Changes in Internal Controls over Financial Reporting

Other than with respect to the remediation efforts described above in connection with the previously identified material weaknesses, no changes in our control over financial reporting were identified as having occurred during the quarter ended February 29, 2024 August 31, 2024 that have materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

For a description of our material pending legal proceedings, see Note 12. 7. “Commitments and Contingencies” of the Notes to interim condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, which is incorporated by reference.

Item 1A. Risk Factors

This Form 10-Q should be read in conjunction with Part I Item 1A “Risk Factors” in our Annual Report on Form 10-K for the year ended May 31, 2023 May 31, 2024. There have been no material changes in the risk factors described in our Annual

Report on Form 10-K for the year ended May 31, 2023 May 31, 2024.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

In October 2018, the Company's Board of Directors authorized a program to purchase, subject to market conditions, up to 6,000,000 shares of the Company's common stock. The program does not have any scheduled expiration date. As of August 31, 2024, a total of 5,900,000 shares of common stock remained available for repurchase under this program. The following is a summary of share repurchase activity during the fiscal quarter ended August 31, 2024:

Period	Shares Purchased	Average Price Paid per Share	Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs
June 2024	—	—	—	5,900,000
July 2024	—	—	—	5,900,000
August 2024	—	—	—	5,900,000
Total	—	—	—	5,900,000

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

Item 5. Other Information

During the quarterly period ended February 29, 2024 August 31, 2024, no director or officer (as defined in SEC Rule 16a-1(f)) of the Company adopted or terminated a Rule 10b5-1 or non-Rule 10b5-1 trading arrangement (as defined in Item 408 of Regulation S-K).

Item 6. Exhibits

(a) Exhibit Index

31.1 Certification of Principal Executive Officer

31.2	Certification of Principal Chief Financial Officer
32	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File as its XBRL tags are embedded within the Inline XBRL 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 Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

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: April 9, 2024 October 10, 2024

/s/ John E. Adent

John E. Adent

President & Chief Executive Officer

(Principal Executive Officer)

Dated: April 9, 2024 October 10, 2024

/s/ David H. Naemura

David H. Naemura

Chief Financial Officer

(Principal Chief Financial and Accounting Officer)

EXHIBIT 31.1

13a. – CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

NEOGEN CORPORATION

CEO CERTIFICATION

I, John E. Adent, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended February 29, 2024 August 31, 2024 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 desig 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 being prepared; and

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to b designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting anc 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 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 t 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 ove 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 th registrant's internal control over financial reporting.

Dated: April 9, 2024 October 10, 2024

/s/ John E. Adent

John E. Adent

President & Chief Executive Officer

(Principal Executive Officer)

EXHIBIT 31.2

13a. – CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

NEOGEN CORPORATION

CFO CERTIFICATION

I, David H. Naemura, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended February 29, 2024 August 31, 2024 of Neoger Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material 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 ir 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 desig 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 being prepared; and
   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to b designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting anc 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 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 t 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 ove 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 th registrant's internal control over financial reporting.

Dated: April 9, 2024 October 10, 2024

/s/ David H. Naemura

David H. Naemura

Chief Financial Officer

(Principal Financial and 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 February 29, 2024 August 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John E. Adent, as President & Chief Executive Officer of the Company and I, David H. Naemura, 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;

(2) Information contained in this Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Dated: April 9, 2024 October 10, 2024

/s/ John E. Adent

John E. Adent

President & Chief Executive Officer

(Principal Executive Officer)

/s/ David H. Naemura

David H. Naemura

Chief Financial Officer

(Principal Financial and Accounting Officer)

This certification accompanies the Quarterly Report to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Neogen Corporation under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Quarterly Report), irrespective of any general incorporation language contained in such filing. 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.

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