



NEWS RELEASE

Neogen Announces First-Quarter 2024 Results

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- Revenue of \$229.0 million, an increase of 73.0% over the prior-year quarter.
- Net income of \$1.5 million; \$0.01 per diluted share.
- Adjusted Net Income of \$23.7 million; \$0.11 per diluted share.
- Adjusted EBITDA of \$52.4 million, an increase of 93.8% over the prior-year quarter, at a margin of 22.9%.

LANSING, Mich., October 10, 2023 – Neogen Corporation (NASDAQ: NEOG) announced today the results of the first quarter ended August 31, 2023.

“Our performance in the quarter was generally in line with our expectations,” said John Adent, Neogen’s President and Chief Executive Officer. “Our legacy Food Safety business performed well, particularly in our core product lines of allergen, natural toxin and microbiological testing. The Animal Safety business experienced continued destocking, as anticipated, with channel inventory levels reaching multi-year lows. Pro forma growth in the former 3M Food Safety Division was low, impacted by the strong fourth quarter that saw us catch up on fulfillment and also by weakness in China, but the progress we made last quarter on Petrifilm supply at our transition manufacturing partner was sustained and initial demand in the second quarter has been encouraging. Our teams are leveraging this supply continuity, as well as the broader Neogen product portfolio, in targeted demand-generation initiatives.”

Adent continued, “We made significant progress in the quarter across a number of fronts related to the integration of the former 3M Food Safety division, moving closer to full autonomy of that business within the One Neogen we are building. We have additional key integration activities underway and remain on track for the third-quarter relocation of two product lines and exit of two transition agreements, and the construction of our new facility in Lansing is progressing well. With our combined commercial and technical teams approaching one year of working together on the product portfolio, we are excited about the momentum that’s building and remain as optimistic as ever regarding the future of the business.”

FINANCIAL AND BUSINESS

HIGHLIGHTS

Revenues for the first quarter were \$229.0 million, an increase of 73.0% compared to \$132.3 million in the prior year. Core revenue, which excludes the impacts of foreign currency translation, as well as acquisitions completed and product lines discontinued in the last 12 months, declined 1.3%. Acquisitions and discontinued product lines contributed 73.5% to revenue growth, while foreign currency added 0.8%.

Net income for the first quarter was \$1.5 million, or \$0.01 per diluted share, compared to \$5.2 million, or \$0.05 per diluted share, in the prior-year period. The decrease in net income was driven primarily by interest expense and the amortization of acquisition-related intangibles, all related to the merger with the former 3M Food Safety Division completed on September 1, 2022, partially offset by incremental revenues from the merger, which generated margins higher than the legacy company average margins. Adjusted Net Income was \$23.7 million, or \$0.11 per diluted share, compared to \$17.6 million, or \$0.16 per diluted share, in the prior-year period. Higher Adjusted EBITDA drove the increase in Adjusted Net Income, more than offsetting the increase in interest expense. On a per-share basis, Adjusted Net Income was lower by \$0.05 in the first quarter compared to the prior-year period, a result of the increase in shares outstanding related to the 3M Food Safety transaction.

Gross margin was 51.0% in the first quarter of fiscal 2024. This compares to a gross margin of 47.0% in the same quarter a year ago, with the increase primarily due to higher gross margins generated by incremental revenues from the former 3M Food Safety Division.

First-quarter Adjusted EBITDA was \$52.4 million, representing an Adjusted EBITDA Margin of 22.9%, compared to \$27.0 million and a margin of 20.4% in the prior-year period. The margin expansion was primarily driven by the increase in gross profit, which more than offset a non-recurring billing adjustment from the Company’s transition manufacturing partner and operating expenses added during the quarter to accommodate the expanded scale of the business.

FOOD SAFETY SEGMENT

Revenues for the Food Safety segment were \$166.3 million in the first quarter, an increase of 157.2% compared to \$64.6 million in the prior year, consisting of 4.5% core growth, 150.7% from acquisitions and discontinued product lines and a foreign currency benefit of 2.0%. Core revenue growth was led by the Bacterial & General Sanitation product category, which benefited from new microbiological testing business in the U.S. and the U.K., and by solid growth in the Natural Toxins & Allergens product category. The Indicator Testing, Culture Media & Other product category experienced a core revenue decline, driven primarily by international distributor ordering patterns for food quality and nutritional analysis products.

ANIMAL SAFETY SEGMENT

Revenues for the Animal Safety segment were \$62.7 million in the first quarter, compared to \$67.7 million in the prior year's first quarter, consisting of a 6.7% core revenue decline, a 0.3% headwind from discontinued product lines and negative foreign currency impact of 0.4%. The core revenue decline was driven by the Veterinary Instruments & Disposables product category, which experienced continued destocking by large veterinary distributors, and the Animal Care & Other product category, which had lower sales of small-animal supplements and vitamin injectables, due in part to supply constraints. These decreases were partially offset by growth in the Rodent Control, Insect Control and Cleaners & Disinfectants product category.

The Company's worldwide genomics business declined modestly in the quarter, with strength in sheep and beef testing in Australia and new business in beef markets in the U.K. and Brazil offset by decreases in porcine and poultry testing, due to the attrition of two large domestic customers.

LIQUIDITY AND CAPITAL RESOURCES

As of August 31, 2023, the Company had total cash and investments of \$239.3 million and total outstanding debt of \$900.0 million, as well as committed borrowing headroom of \$150.0 million.

FISCAL YEAR 2024 OUTLOOK

Taking into account first-quarter results, as well as typical seasonality of revenue and the expectation of an improved end-market environment in the second half of the year, the Company continues to anticipate fiscal year

2024 revenue between \$955 million and \$985 million, while Adjusted EBITDA continues to be expected in a range of \$235 million to \$255 million. The Company also continues to expect capital expenditures to be approximately \$130 million, including approximately \$100 million related specifically to the integration of the former 3M Food Safety Division.

CONFERENCE CALL AND WEBCAST

Neogen Corporation will host a conference call today at 8:00 a.m. Eastern Time to discuss the Company's financial results. The live webcast of the conference call and accompanying presentation materials can be accessed through Neogen's website at neogen.com/investor-relations. For those unable to access the webcast, the conference call can be accessed by dialing (844) 757-5681 (U.S.) or +1 (412) 317-5297 (International) and requesting the Neogen Corporation First Quarter FY24 Earnings Call (Conference ID: 10182677). A replay of the conference call and webcast will be available shortly following the conclusion of the call, and can be accessed domestically or internationally by dialing (877) 344-7529 or +1 (412) 317-0088, respectively, and providing the entry code 6567809, or through Neogen's Investor Relations website at neogen.com/investor-relations.

ABOUT NEOGEN

Neogen is committed to fueling a brighter future for global food security through the advancement of human and animal well-being. Harnessing the power of science and technology, Neogen Corporation has developed comprehensive solutions spanning the Food Safety, Livestock and Pet Health & Wellness markets. A world leader in these fields, Neogen has a presence in over 140 countries with a dedicated network of scientists and technical experts focused on delivering optimized products and technology for its customers.

Certain portions of this news release that do not relate to historical financial information constitute forward-looking statements. These forward-looking statements are subject to certain risks and uncertainties. Actual future results and trends may differ materially from historical results or those expected depending on a variety of factors listed in Management's Discussion and Analysis of Financial Condition and Results of Operations in the company's most recently filed Form 10-K.

| NEOGEN CORPORATION UNAUDITED CONSOLIDATED STATEMENT OF INCOME | | |
|--|--|-------------|
| (In thousands, except for per share) | Three Months Ended August 31, <u>2023</u> | <u>2022</u> |
| Revenue | | |
| Food Safety | \$166,278 | \$64,643 |
| Animal Safety | 62,709 | 67,706 |
| Total revenue | 228,987 | 132,349 |
| Cost of revenues | 112,226 | 70,079 |

| | | |
|--------------------------------------|-------------|-------------|
| Gross profit | 116,761 | 62,270 |
| Operating expenses | | |
| Sales & marketing | 45,783 | 23,383 |
| Administrative | 45,121 | 27,944 |
| Research & development | 6,722 | 4,881 |
| Total operating expenses | 97,626 | 56,208 |
| Operating income | 19,135 | 6,062 |
| Other (expense) income | (17,472) | 597 |
| Income before tax | 1,663 | 6,659 |
| Income tax | 160 | 1,450 |
| Net income | \$1,503 | \$5,209 |
| Net income per diluted share | \$0.01 | \$0.05 |
| Shares to calculate per share amount | 216,846,106 | 107,857,477 |

NEOGEN CORPORATION
UNAUDITED CONSOLIDATED BALANCE SHEET

(In thousands)

| | August 31, 2023 | May 31, 2023 |
|---|--------------------|--------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$178,832 | \$163,240 |
| Marketable securities | 60,424 | 82,329 |
| Accounts receivable, net of allowance of \$3,205 and \$2,827 | 137,669 | 153,253 |
| Inventories, net | 140,692 | 133,812 |
| Prepaid expenses and other current assets | 66,176 | 53,297 |
| Total Current Assets | 583,793 | 585,931 |
| Net Property and Equipment | 221,090 | 198,749 |
| Other Assets | | |
| Right of use assets | 14,505 | 11,933 |
| Goodwill | 2,137,602 | 2,137,496 |
| Intangible assets, net | 1,588,066 | 1,605,103 |
| Other non-current assets | 16,049 | 15,220 |
| Total assets | \$4,561,105 | \$4,554,432 |
| Liabilities and Stockholders' Equity | | |
| Current Liabilities | | |
| Current portion of finance lease | \$2,642 | - |
| Accounts payable | 90,210 | 76,669 |
| Accrued compensation | 14,863 | 25,153 |
| Income tax payable | 5,399 | 6,951 |
| Accrued interest | 3,438 | 11,149 |
| Deferred revenue | 3,789 | 4,616 |
| Other accruals | 17,789 | 20,934 |
| Total Current Liabilities | 138,130 | 145,472 |
| Deferred Income Tax Liability | 354,792 | 353,427 |
| Non-current debt | 886,177 | 885,439 |
| Other non-current liabilities | 35,831 | 35,877 |
| Total Liabilities | 1,414,930 | 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, 216,310,582 and 216,245,501 shares issued and outstanding at August 31, 2023, and May 31, 2023, respectively | 34,610 | 34,599 |
| Additional paid-in capital | 2,571,517 | 2,567,828 |
| Accumulated other comprehensive loss | (26,496) | (33,251) |
| Retained earnings | 566,544 | 565,041 |
| Total Stockholders' Equity | 3,146,175 | 3,134,217 |
| Total Liabilities and Stockholders' Equity | 4,561,105 | 4,554,432 |

NEOGEN CORPORATION
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

| | Three Months Ended August 31, 2023 | 2022 |
|--|---------------------------------------|-----------------|
| Cash Flows From (For) Operating Activities | | |
| Net income | \$1,503 | \$5,209 |
| Adjustments to reconcile net income to net cash from operating activities: | | |
| Depreciation and amortization | 28,734 | 5,729 |
| Deferred income taxes | 998 | (1,439) |
| Share-based compensation | 2,638 | 1,867 |
| Amortization of debt issuance costs | 860 | - |
| Change in operating assets and liabilities, net of business acquisitions: | | |
| Accounts receivable, net | 16,242 | 4,819 |
| Inventories | (6,304) | (8,330) |
| Prepaid expenses and other current assets | (12,925) | (14,682) |
| Accounts payable and accrued liabilities | 4,980 | (13,278) |
| Interest expense accrual | (7,711) | - |
| Change in other assets and liabilities | (6,006) | 5,962 |
| Net Cash From (For) Operating Activities | 23,009 | (14,143) |
| Cash Flows (For) From Investing Activities | | |

| | | |
|---|----------|----------|
| Purchases of property, equipment and other non-current intangible assets | (30,630) | (12,996) |
| Proceeds from the maturities of marketable securities | 21,905 | 108,488 |
| Purchases of marketable securities | - | (12,523) |
| Proceeds from the sale of property and equipment and other | 41 | - |
| Business acquisitions, net of working capital adjustments and cash acquired | - | (1,331) |
| Net Cash (For) From Investing Activities | (8,684) | 81,638 |
| Cash Flows From Financing Activities | | |
| Exercise of stock options and issuance of employee stock purchase plan shares | 1,062 | 905 |
| Net Cash From Financing Activities | 1,062 | 905 |
| Effect of Foreign Exchange Rates on Cash | 205 | 5,775 |
| Net Increase In Cash and Cash Equivalents | 15,592 | 62,625 |
| Cash and Cash Equivalents, Beginning of Period | 163,240 | 44,473 |
| Cash and Cash Equivalents, End of Period | 178,832 | 107,098 |

NON-GAAP FINANCIAL MEASURES

This press release includes certain non-GAAP financial measures, which management believes are useful to investors, securities analysts and other interested parties. Management uses Adjusted EBITDA as a key profitability measure. This is a non-GAAP measure that represents EBITDA before certain items that impact comparison of the performance of our business, either period-over-period or with other businesses. Adjusted EBITDA Margin is Adjusted EBITDA for a particular period expressed as a percentage of revenues for that period.

Management uses Adjusted Net Income as an additional measure of profitability. Adjusted Net Income is a non-GAAP measure that represents net income before certain items that impact comparison of the performance of our business, either period-over-period or with other businesses.

Core revenue growth is a non-GAAP measure that represents net sales for the period excluding the effects of foreign currency translation rates and the first-year impacts of acquisitions and discontinued product lines, where applicable. Core revenue growth is presented to allow for a meaningful comparison of year-over-year performance without the volatility caused by foreign currency translation rates, or the incomparability that would be caused by the impact of an acquisition, disposal or product line discontinuation.

These non-GAAP financial measures should be considered only as supplemental to, and not as superior to, financial measures prepared in accordance with GAAP. Please see below for a reconciliation of historical non-GAAP financial measures to the most directly comparable financial measures prepared in accordance with GAAP.

| NEOGEN CORPORATION RECONCILIATION OF NET INCOME TO ADJUSTED EBITDA | | |
|--|-------------------------------|----------|
| (In thousands, except for percentages) | | |
| | Three Months Ended August 31, | |
| | 2023 | 2022 |
| Net Income | \$1,503 | \$5,209 |
| Provision for income taxes | 160 | 1,450 |
| Depreciation and amortization | 28,734 | 5,729 |
| Interest expense (income), net | 16,666 | (969) |
| EBITDA | \$47,063 | \$11,419 |
| Share-based compensation | 2,638 | 1,867 |

| | | |
|--|----------|----------|
| FX transaction gain on loan revaluation ⁽¹⁾ | (290) | - |
| Certain transaction fees and integration costs | 1,951 | 13,732 |
| Restructuring | 559 | - |
| Contingent consideration adjustments | 300 | - |
| ERP expense ⁽²⁾ | 128 | - |
| Discontinued product line expense | 20 | - |
| Adjusted EBITDA | \$52,369 | \$27,018 |
| Adjusted EBITDA margin (% of sales) | 22.9% | 20.4% |
| Adjusted EBITDA increase | 93.8% | |

(1) Net foreign currency transaction gain associated with the revaluation of non-functional currency intercompany loans established in connection with 3M Food Safety transaction.

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

NEOGEN CORPORATION RECONCILIATION OF NET INCOME TO ADJUSTED NET INCOME

(In thousands, except for per share)

Three Months Ended August 31,

| | <u>2023</u> | <u>2022</u> |
|--|-------------|-------------|
| Net income | \$1,503 | \$5,209 |
| Amort of acquisition-related intangibles | 23,325 | 1,841 |
| Share-based compensation | 2,638 | 1,867 |
| FX transaction gain on loan revaluation ⁽¹⁾ | (290) | - |
| Certain transaction fees and integration costs | 1,951 | 13,732 |
| Restructuring | 559 | - |
| Contingent consideration adjustments | 300 | - |

| | | |
|--|----------|----------|
| ERP expense ⁽²⁾ | 128 | - |
| Discontinued product line expense | 20 | - |
| Estimated tax effect of above adjustments ⁽³⁾ | (6,447) | (5,093) |
| Adjusted Net Income | \$23,687 | \$17,556 |
| Adjusted Earnings per Share | \$0.11 | \$0.16 |

(1) Net foreign currency transaction gain associated with the revaluation of non-functional currency intercompany loans established in connection with 3M Food Safety transaction.

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

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