

NEOGEN CORP
Form 10-Q
January 05, 2010
Table of Contents

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 November 30, 2009.

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

Neogen Corporation

(Exact name of registrant as specified in its charter)

Edgar Filing: NEOGEN CORP - Form 10-Q

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

38-2367843
*(IRS Employer
Identification Number)*

620 Leshar Place

Lansing, Michigan 48912

(Address of principal executive offices, including zip code)

(517) 372-9200

(Registrant's telephone number, including area code)

N/A

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

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (see definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act):

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller Reporting Company

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 December 1, 2009, there were 22,491,000 shares of Common Stock outstanding.

Table of Contents

NEOGEN CORPORATION AND SUBSIDIARIES

TABLE OF CONTENTS

	Page No.
<u>PART I. FINANCIAL INFORMATION</u>	
Item 1. <u>Interim Consolidated Financial Statements (unaudited)</u>	2
<u>Consolidated Balance Sheets – November 30, 2009 and May 31, 2009</u>	2
<u>Consolidated Statements of Income – Three months and six months ended November 30, 2009 and 2008</u>	3
<u>Consolidated Statement of Stockholders – Equity – Six months ended November 30, 2009</u>	4
<u>Consolidated Statements of Cash Flows – Six months ended November 30, 2009 and 2008</u>	5
<u>Notes to Interim Consolidated Financial Statements – November 30, 2009</u>	6
Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	10
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	14
Item 4. <u>Evaluation of Controls and Procedures</u>	15
<u>PART II. OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	15
Item 1A. <u>Risk Factors</u>	15
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	15
Item 3. <u>Defaults Upon Senior Securities</u>	15
Item 4. <u>Submission of Matters to a Vote of Security Holders</u>	15
Item 5. <u>Other Information</u>	15
<u>Signatures</u>	16
Item 6. <u>Exhibits</u>	15
<u>CEO Certification</u>	17
<u>CFO Certification</u>	18
<u>Section 906 Certification</u>	19

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Interim Consolidated Financial Statements****NEOGEN CORPORATION AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

	November 30, 2009	May 31, 2009
	<i>(In thousands, except share</i>	
	<i>and per share amounts)</i>	
	<i>(Unaudited)</i>	<i>(Audited)</i>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 32,454	\$ 13,842
Accounts receivable, less allowance of \$700 and \$600.	25,176	23,363
Inventories	30,149	31,363
Deferred income taxes	200	200
Prepaid expenses and other current assets	3,055	2,998
TOTAL CURRENT ASSETS	91,034	71,766
NET PROPERTY AND EQUIPMENT	16,718	17,058
OTHER ASSETS		
Goodwill	38,061	39,717
Other non-amortizable intangible assets	4,139	3,730
Customer based intangibles, net of accumulated amortization of \$3,408 and \$2,861	6,264	6,143
Other non-current assets, net of accumulated amortization of \$1,674 and \$1,663	4,697	3,762
	53,161	53,352
	\$ 160,913	\$ 142,176
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 7,115	\$ 3,909
Accrued compensation	2,119	2,519
Income taxes	3,645	667
Other accruals	2,089	2,151
TOTAL CURRENT LIABILITIES	14,968	9,246
DEFERRED INCOME TAXES	2,725	2,725
OTHER LONG-TERM LIABILITIES	1,596	1,526
	4,321	4,251
TOTAL LIABILITIES	19,289	13,497
STOCKHOLDERS' EQUITY		

Edgar Filing: NEOGEN CORP - Form 10-Q

Preferred stock, \$1.00 par value, 100,000 shares authorized, none issued and outstanding		
Common stock, \$.16 par value, 30,000,000 shares authorized, 22,491,000 shares issued and outstanding at November 30, 2009; 22,105,000 shares issued and outstanding at May 31, 2009	3,599	3,537
Additional paid-in capital	65,476	61,517
Accumulated other comprehensive income (loss) and noncontrolling interest	(46)	36
Retained earnings	72,595	63,589
TOTAL STOCKHOLDERS EQUITY	141,624	128,679
	\$ 160,913	\$ 142,176

See notes to interim consolidated financial statements

Table of Contents**NEOGEN CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**

	Three Months Ended		Six Months Ended	
	November 30		November 30	
	2009	2008	2009	2008
	<i>(In thousands, except per share amounts)</i>			
Net sales	\$ 35,251	\$ 31,187	\$ 67,598	\$ 59,992
Cost of goods sold	16,729	15,062	31,806	29,063
GROSS MARGIN	18,522	16,125	35,792	30,929
OPERATING EXPENSES				
Sales and marketing	6,405	6,013	12,377	11,632
General and administrative	3,191	3,032	6,082	5,612
Research and development	1,698	1,219	3,161	2,171
	11,294	10,264	21,620	19,415
OPERATING INCOME	7,228	5,861	14,172	11,514
OTHER INCOME (EXPENSE)				
Interest income	16	69	33	134
Other income (expense)	(34)	171	1	311
	(18)	240	34	445
INCOME BEFORE INCOME TAXES	7,210	6,101	14,206	11,959
INCOME TAXES	2,600	2,200	5,200	4,325
NET INCOME	\$ 4,610	\$ 3,901	\$ 9,006	\$ 7,634
NET INCOME PER SHARE				
Basic	\$.21	\$.18	\$.40	\$.35
Diluted	\$.20	\$.17	\$.39	\$.34

See notes to interim consolidated financial statements

Table of Contents**NEOGEN CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY (UNAUDITED)**

	Common Stock		Additional		Retained	Total
	Shares	Amount	Paid-in Capital	Other(1)	Earnings	
	<i>(In thousands except share amounts)</i>					
Balance, June 1, 2009	22,105,000	\$ 3,537	\$ 61,517	\$ 36	\$ 63,589	\$ 128,679
Issuance of shares common stock under equity compensation plans, including \$596 of excess income tax benefit	374,000	60	3,801			3,861
Issuance of shares under employee stock purchase plan	12,000	2	158			160
Comprehensive income:						
Net income for the six months ended November, 2009					9,006	9,006
Foreign currency translation adjustments and other				(82)		(82)
Total comprehensive income (\$6,115 in the six months ended November 30, 2008)						8,924
Balance, November 30, 2009	22,491,000	\$ 3,599	\$ 65,476	\$ (46)	\$ 72,595	\$ 141,624

- (1) Other represents accumulated foreign currency adjustments of (\$423) and (\$430) at November 30, 2009 and May 31, 2009 and noncontrolling interest of \$377 and \$466 at November 30, 2009 and May 31, 2009, respectively.

See notes to interim consolidated financial statements

Table of Contents**NEOGEN CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

	Six Months Ended November 30, 2009 2008 (In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 9,006	\$ 7,634
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,027	1,950
Share based compensation	1,050	1,051
Income tax benefit from stock plan transactions	(596)	(345)
Other		3
Changes in operating assets and liabilities,		
net of business acquisitions:		
Accounts receivable	(1,875)	(2,946)
Inventories	1,173	(4,102)
Prepaid expenses and other current assets	(65)	211
Accounts payable and accruals	5,777	1,661
NET CASH PROVIDED BY OPERATING ACTIVITIES	16,497	5,117
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment and other assets	(1,522)	(1,501)
Payments for business acquisitions		(7,672)
NET CASH USED IN INVESTING ACTIVITIES	(1,522)	(9,173)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increases in other long-term liabilities	70	172
Net proceeds from issuance of common stock	2,971	1,990
Excess income tax benefit from the exercise of stock options	596	345
NET CASH PROVIDED BY FINANCING ACTIVITIES	3,637	2,507
INCREASE(DECREASE) IN CASH	18,612	