

NEOGEN CORP
Form 10-Q
January 09, 2008
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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, 2007

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)

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

620 Leshar Place
Lansing, Michigan 48912

38-2367843
*(IRS Employer
Identification Number)*

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(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 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

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 January 1, 2008, there were 14,345,000 shares of Common Stock outstanding.

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NEOGEN CORPORATION AND SUBSIDIARIES

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Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. Interim Consolidated Financial Statements (Unaudited)****NEOGEN CORPORATION AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

	November 30, 2007	May 31, 2007
	<i>(In thousands, except share and per share amounts)</i>	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 10,415	\$ 13,424
Accounts receivable, less allowance of \$525 and \$500	19,357	14,914
Inventories	23,142	19,116
Deferred income taxes	787	787
Prepaid expenses and other current assets	2,923	2,857
TOTAL CURRENT ASSETS	56,624	51,098
NET PROPERTY AND EQUIPMENT	16,501	16,402
OTHER ASSETS		
Goodwill	28,869	24,448
Other non-amortizable intangible assets	3,181	3,181
Customer based intangibles, net of accumulated amortization of \$1,485 and \$1,215	5,414	6,182
Other non-current assets, net of accumulated amortization of \$1,284 and \$1,290	4,339	3,973
	\$ 114,928	\$ 105,284
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 4,614	\$ 4,507
Accrued compensation	1,507	1,737
Income taxes	1,787	1,377
Other accruals	2,266	2,417
TOTAL CURRENT LIABILITIES	10,174	10,038
DEFERRED INCOME TAXES	1,319	1,441
OTHER LONG-TERM LIABILITIES	1,761	1,860
STOCKHOLDERS' EQUITY		
Preferred stock, \$1.00 par value, 100,000 shares authorized, none issued and outstanding		
Common stock, \$.16 par value, 30,000,000 shares authorized, 14,337,000 shares issued and outstanding at November 30, 2007; 14,020,000 shares issued and outstanding at May 31, 2007	2,293	2,244
Additional paid-in capital	54,973	51,698
Accumulated other comprehensive income	526	386
Retained earnings	43,882	37,617
TOTAL STOCKHOLDERS' EQUITY	101,674	91,945

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\$ 114,928 \$ 105,284

See notes to interim unaudited consolidated financial statements

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	Three Months Ended November 30,		Six Months Ended November 30,	
	2007	2006	2007	2006
	<i>(In thousands, except per share amounts)</i>			
Net sales	\$ 27,210	\$ 22,189	\$ 50,118	\$ 42,409
Cost of goods sold	13,039	10,480	23,650	20,380
GROSS MARGIN	14,171	11,709	26,468	22,029
OPERATING EXPENSES				
Sales and marketing	5,456	4,665	10,134	8,905
General and administrative	2,862	2,333	5,192	4,137
Research and development	1,055	1,015	1,797	1,713
	9,373	8,013	17,123	14,755
OPERATING INCOME	4,798	3,696	9,345	7,274
OTHER INCOME (EXPENSE)				
Interest income	100	63	270	120
Interest expense				(11)
Other	206	(58)	200	(50)
	306	5	470	59
INCOME BEFORE INCOME TAXES	5,104	3,701	9,815	7,333
INCOME TAXES	1,850	1,275	3,550	2,501
NET INCOME	\$ 3,254	\$ 2,426	\$ 6,265	\$ 4,832
NET INCOME PER SHARE				
Basic	\$.23	\$.18	\$.44	\$.35
Diluted	\$.22	\$.17	\$.42	\$.34

See notes to interim unaudited consolidated financial statements

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

	Six Months Ended November 30, 2007 2006 (In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 6,265	\$ 4,832
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,639	1,558
Deferred income taxes	(122)	202
Share based compensation	970	596
Income tax benefit from stock plan transactions	(327)	(257)
Other	140	326
Changes in operating assets and liabilities:		
Accounts receivable	(3,842)	(2,397)
Inventories	(2,176)	(699)
Prepaid expenses and other current assets	(92)	(888)
Accounts payable and accruals	(196)	(348)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,259	2,925
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment and other assets	(1,032)	(2,231)
Payments for business acquisition	(6,678)	(168)
NET CASH USED IN INVESTING ACTIVITIES	(7,710)	(2,399)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on line of credit		(9,955)
Reductions of other long-term liabilities	(99)	(51)
Net proceeds from issuance of common stock	2,214	14,195
Excess income tax benefit from the exercise of stock options	327	257
NET CASH PROVIDED BY FINANCING ACTIVITIES	2,442	4,446
INCREASE (DECREASE) IN CASH	(3,009)	4,972
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	13,424	1,959
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 10,415	\$ 6,931

See notes to interim unaudited consolidated financial statements

Table of Contents**NEOGEN CORPORATION AND SUBSIDIARIES****NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)****1. BASIS OF PRESENTATION**

The accompanying unaudited consolidated financial statements 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 Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results of operations for the three month and six month periods ended November 30, 2007 are not necessarily indicative of the results to be expected for the fiscal year ending May 31, 2008. For more complete financial information, these consolidated financial statements should be read in conjunction with the May 31, 2007 audited consolidated financial statements and the notes thereto included in the Company's annual report on Form 10-K for the year ended May 31, 2007.

On July 26, 2007, Board of Directors declared a 3 for 2 stock split payable on August 17, 2007. Equity accounts and per share amounts have been adjusted to reflect the split as of the beginning of the periods presented.

The Company adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48), on June 1, 2007. The adoption of FIN 48 had no significant effect on the financial statements. The Company has no significant accrual for unrecognized tax benefits at November 30, 2007. Should the accrual of any interest or penalties relative to unrecognized tax benefits be necessary, such accruals will be reflected within income tax accounts.

2. INVENTORIES

Inventories are stated at the lower of cost, determined on the first-in, first-out method, or market. The components of inventories follow:

	November 30, 2007	May 31, 2007
	<i>(In thousands)</i>	
Raw materials	\$ 10,418	\$ 7,884
Work-in-process	586	390
Finished goods	12,138	10,842
	\$ 23,142	\$ 19,116

3. NET INCOME PER SHARE

The calculation of net income per share follows:

	Three Months Ended November 30, 2007	Six Months Ended November 30, 2007	Six Months Ended November 30, 2006
	<i>(In thousands except per share amounts)</i>		

Numerator for basic and