

SMALL TALK 11/2014

Rocky Mt Chapter BI

Presenter:

Shirley Pfister &

Co-Director Ralph Futch

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Investment Thought

Investment is most
Intelligent when it is most
businesslike.

(Benjamin Graham: The Intelligent Investor)

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Disclaimer

- All stock References are meant to be used for EDUCATIONAL purpose!
- No recommendation for purchase or sale is intended or implied.
- Please perform your own due diligence.

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NEOGEN/NEOG

NASDAQ

- Neogen develops, manufactures & markets a line of products for FOOD & ANIMAL safety.
- Founded in 1982 & has 800 employees located in the US & at international locations! HQ = Lansing, MI

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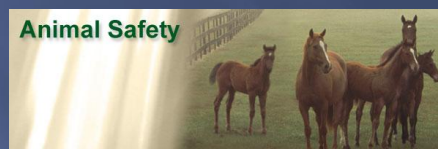
FOOD SAFETY

- Develops & markets testing kits which provide food safety solutions
- Designed to be convenient to use & minimize user time to determine results
- Are accurate and reproducible results



ANIMAL SAFETY

- Manufactures & markets line of diagnostics, veterinary instruments, Vet Pharmaceuticals, therapeutics supplements, & rodenticides
- Products for Vets, Retailers, & Animal Lovers



AGRIGENOMICS

(GeneSeek INC)

- Comprehensive Agrigenomic solutions & services for agriculture Biotechnology industry & leading dog breeding registry
- State-of-the-Art genetic labs & comprehensive Bioinformatics to interpret genetic test results = ID & trait determination & analysis



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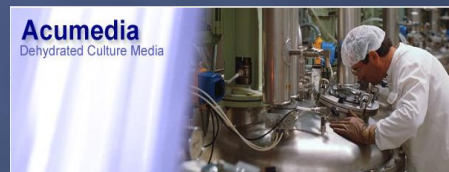
ACUMEDIA DEHYDRATION CULTURE MEDIA

- Acumedia recognized since 1978 as the premier high quality dehydrated culture media for industrial, pharmaceutical, biotech, food safety & life science applications.
- NEOG has the manufacturing capability for high volume, large scale industrial applications & yet produce specific custom formulation needs

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ACUMEDIA

- Types of Media: Cosmetics, Dairy, Food & beverages, Veterinary, H₂O & H₂O waste water
- Yeast, mold, Salmonella, Listeria, E. Coli, Disinfectant testing, Coliforms, Campylobacteria



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LIFE SCIENCE SOLUTIONS

- Develops & manufactures ultra-sensitive, quick, dependable ELISA test kits for Research
- Assays for detecting: cytokines, hormones, steroids, prostaglands, leukotrienes, thromboxanes, cyclic nucleotides, lipoxins, & histamines



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TOXICOLOGY SOLUTIONS

- Forensic Drug Detection = 100 ELISA drug detection kits for forensic & sports Toxicology
- Forensic Drug Detection = hair, blood, urine, oral fluid, etc.
- Animal Sport Drug Detection=specific for animal racing (Test kits can be used at the fair, meat testing, & raw material feed testing)



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KEY EXECUTIVES

- James Herbert, (74) Chairman/President, CEO & COO
- Steven Quinlan, (52), CFO, Sec, & VP
- Jennifer Rice, VP, Sr. Resch. Dir.
- Edward Bradley, VP Food Safety
- Kenneth Kodilla, VP Manufacturing
- Jason Lilly, VP Corporate Development



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GROWTH DRIVERS

- First = Estimated that World will need 30% more food by 2030, less than 20 yrs from now need to grow more food with same resources = increase production
- Second = Must maintain food security
- Third = Company Growth in past has been by acquisition

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GROWTH DRIVERS/ACQUISITIONS

- Prima Tech Inc. = acquired Nov 1, 2013 = Vet Instrument Business, Kenansville, NC
- Chem-Tech LTD = acquired Jan2, 2014 = Manufacturers insecticides for animals & food industry, Pleasanton, IA

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GROWTH DRIVERS/ACQUISITIONS

- Scidera Genomic LLC = acquired 2013 = animal business: parenting genetics for cattle & canine, Davis, CA
- SyraVet = acquired July 1, 2013 = Manufactures Vet Instruments: 30% of sales going to Mexico & Latin America, Waukee, IA

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GROWTH DRIVERS/ACQUISITIONS

- Macleod = acquired in 2012 = animal pharmaceutical, producer of antibiotic = Uniprim,= Ft Collins, CO

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RECENT NEWS

- Acquired BioLumix:
- This acquisition includes the Soleris Technology = detects microorganisms causing food spoilage

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RECENT NEWS

- May 28,2014 two of the Agricultural Disinfectants were found to be effective against the deadly porcine epidemic diarrhea virus (PEDv)
- Entered an agreement with Merck Animal Health to market Igenity Dairy Heifer Program.



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STRENGTHS

- The diagnostic kits are generally less expensive, easier to use & provide greater accuracy & speed than conventional methods
- Health Care Law will have impact on Medical Supply/Device companies. Here is a company which supplies quick easy to use testing kits

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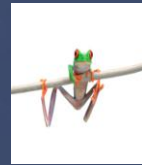
OPPORTUNITIES

- Oct 9, 2014 = received approval from the National Poultry Improvement Plan (NPIP) for rapid tests for Salmonella, including Salmonella Enteritidis (SE) a strain of particular concern to the poultry industry. This provides the industry with a quick, easy method of detecting the dangerous pathogen

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THREATS

- JNJ is the largest Company in this sector:
has hoard of cash & capable of acquisition
- Regulatory Agencies can issues.
- NEOG Board Re-organization
- Foreign Exchange Rates



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QUESTIONS/ COMMENTS

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VALUE LINE DATA

- Performance=3
- Technical=3
- Safety=3
- Beta=.95
- Financial Strength = B++
- Price Stability=50
- Price Growth Persistence=85
- Earnings Predictability=95

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SSG

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Estimate

- Estimate Future Sales Growth
- Estimate Future EPS
- Estimate High P/E
- Estimate Low P/E
- Estimate Low Price

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FUTURE SALES GROWTH RATE

- 15.5% = MORNINGSTAR ESTIMATE
- 17% = ZACK'S ESTIMATE
- 16.3% = YAHOO ESTIMATE
- 16.5% = 9 YR HISTORICAL

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ESTIMATED FUTURE EARNINGS GROWTH RATE

- 18.5% = MORNINGSTAR ANALYST
- 12.3% = IMPLIED GROWTH RATE FROM TOOLKIT
- 1.4% = TAKE STOCK GROWTH RATE ESTIMATE

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HIGH ESTIMATED P/E

- 50.5 = NO OUTLIERS REMOVED
- 46.3 = REMOVED ONE OUTLIER : (HIGHEST = 2013, 67.7%)
- 37.5 = 5 YR AVERAGE
- 30.0 = CONSERVATIVE (not to exceed 30%)
- 35.8 = MEDIAN HIGH P/E

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LOW ESTIMATED P/E

- 30.5 = NO OUTLIERS REMOVED
- 26.5 = REMOVED ONE OUTLIER
(highest low P/E)
- 20.4 = MEDIAN P/E

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LOW PRICE FOR NEXT 5 YEARS

- \$20.70 = AVE LOW IN PAST 5 YRS
- \$25.00 = RECENT SEVERE MARKET
- \$31.30 = PRICE-VARIANT QUOTIENT
- \$34.41 = 80% OF THE CURRENT PRICE
(11.07.14)

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Thinking Points

- Small Company = Board Changes=meaning?
- Small company = growth by Acquisition in past: what does future hold?
- SSG = use of Calculator Est EPS
- SSG = High P/E
- Est high & low EPS value

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BUY or NOT to BUY???



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Thank You to the Board

- Jane Nelson, President
- Ralph Futch, Web Master
- Joan Loken, Past President, BI NW Regional Manager
- John Rogers, Director, E-mail Editor

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Thank You for
Attending!!!



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