UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2020, 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 0-17272

BIO-TECHNE CORPORATION
(Exact name of registrant as specified in its charter)

Minnesota **(State or other jurisdiction of incorporation or organization)**	**41-1427402** **(I.R.S. Employer Identification No.)**
614 McKinley Place N.E. **Minneapolis, MN 55413** **(Address of principal executive offices) (Zip Code)**	**(612) 379-8854** **(Registrant's telephone number, including area code)**

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Common Stock, $0.01 par value	TECH	The NASDAQ Stock Market LLC

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 such 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, 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 Exchange Act Rule 12b- 2). ☐ Yes ☒ No

At May 4, 2020, 38,223,009 shares of the Company's Common Stock (par value $0.01) were outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME

Bio-Techne Corporation and Subsidiaries
(in thousands, except per share data)
(unaudited)

	Quarter Ended March 31,		*Nine Months Ended March 31,*	
	2020	*2019*	2020	2019
Net sales	$ 194,680	$ 184,861	$ 562,857	$ 522,341
Cost of sales	64,617	60,251	192,977	177,110
Gross margin	130,063	124,610	369,880	345,231
Operating expenses:				
Selling, general and administrative	66,318	64,968	203,358	195,622
Research and development	15,954	15,552	48,413	46,154
Total operating expenses	82,272	80,520	251,771	241,776
Operating income	47,791	44,090	118,109	103,455
Other (expense) income	(970)	5,787	96,843	(14,226)
Earnings before income taxes	46,821	49,877	214,952	89,229
Income taxes	10,389	5,223	44,501	9,617
Net earnings	$ 36,432	$ 44,654	$ 170,451	$ 79,612
Other comprehensive (loss) income:				
Foreign currency translation adjustments	(19,403)	5,232	(15,138)	(4,368)
Derivative instruments - cash flow hedges	(5,702)	(1,854)	(4,798)	(5,769)
Other comprehensive (loss) income	(25,105)	3,378	(19,936)	(10,137)
Comprehensive income	$ 11,327	$ 48,032	$ 150,515	$ 69,475
Earnings per share:				
Basic	$ 0.95	$ 1.18	$ 4.46	$ 2.11
Diluted	$ 0.92	$ 1.15	$ 4.33	$ 2.05
Weighted average common shares outstanding:				
Basic	38,303	37,772	38,167	37,745
Diluted	39,435	38,861	39,354	38,813

See Notes to Condensed Consolidated Financial Statements.

CONDENSED CONSOLIDATED BALANCE SHEETS

Bio-Techne Corporation and Subsidiaries
(in thousands, except share and per share data)

		March 31, 2020 (unaudited)		June 30, 2019
ASSETS				
Current assets:				
Cash and cash equivalents	$	156,216	$	100,886
Short-term available-for-sale investments		104,872		65,147
Accounts receivable, less allowance for doubtful accounts of$970 and $980, respectively		117,452		137,466
Inventories		99,673		91,050
Other current assets		13,715		18,058
Total current assets		491,928		412,607
Property and equipment, net		165,012		154,039
Right of use asset		73,751		-
Goodwill		725,831		732,667
Intangible assets, net		530,333		579,429
Other assets		12,167		5,668
Total assets	$	1,999,022	$	1,884,410
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Trade accounts payable	$	19,735	$	16,210
Salaries, wages and related accruals		23,426		28,638
Accrued expenses		9,696		26,389
Contract liabilities		13,556		9,084
Income taxes payable		10,378		5,764
Operating lease liabilities - current		9,544		-
Contingent consideration payable		6,150		3,400
Current portion of long-term debt obligations		12,500		12,500
Total current liabilities		104,985		101,985
Deferred income taxes		96,178		89,754
Long-term debt obligations		407,348		492,660
Long-term contingent consideration payable		1,700		9,200
Operating lease liabilities		69,491		-
Other long-term liabilities		28,052		25,222
Shareholders' equity:				
Undesignated capital stock, no par; authorized 5,000,000 shares; none issued or outstanding		-		-
Common stock, par value $.01 per share; authorized 100,000,000; issued and outstanding 38,122,138 and 37,934,040, respectively		381		379
Additional paid-in capital		381,632		316,797
Retained earnings		1,012,713		931,934
Accumulated other comprehensive loss		(103,458)		(83,521)
Total shareholders' equity		1,291,268		1,165,589
Total liabilities and shareholders’ equity	$	1,999,022	$	1,884,410

See Notes to Condensed Consolidated Financial Statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Bio-Techne Corporation and Subsidiaries
(in thousands)
(unaudited)

	Nine Months Ended March 31,			
		2020		2019
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net earnings	$	170,451	$	79,612
Adjustments to reconcile net earnings to net cash provided by operating activities:				
Depreciation and amortization		61,746		58,252
Costs recognized on sale of acquired inventory		-		2,804
Deferred income taxes		8,641		(11,114)
Stock-based compensation expense		26,350		24,151
Fair value adjustment to contingent consideration payable		(605)		(1,100)
Fair value adjustment on available for sale investments		(111,267)		(2,907)
Other operating activity		(674)		2,255
Change in operating assets and operating liabilities, net of acquisition:				
Trade accounts and other receivables, net		2,692		(13,136)
Inventories		(10,009)		(11,550)
Other current assets		(1,250)		(1,000)
Trade accounts payable, accrued expenses, contract liabilities, and other		10,031		7,977
Contingent consideration payable		(745)		-
Salaries, wages and related accruals		(5,090)		(102)
Income taxes payable		10,155		(8,469)
Net cash provided by operating activities		160,426		125,673

CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sale and maturities of available-for-sale investments		122,667		17,215
Purchases of available-for-sale investments		(50,728)		(37,693)
Additions to property and equipment		(34,371)		(13,719)
Acquisitions, net of cash acquired		-		(272,286)
Net cash provided by (used in) investing activities		37,568		(306,483)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Cash dividends		(36,644)		(36,237)
Proceeds from stock option exercises		38,490		27,029
Re-purchase of common stock		(50,112)		(15,405)
Proceeds from long-term debt		40,000		580,000
Repayments of long-term debt		(125,375)		(396,375)
Payment of contingent consideration		(3,400)		-
Other financing activity		(2,042)		(4,731)
Net cash provided by (used in) financing activities		(139,082)		154,281
Effect of exchange rate changes on cash and cash equivalents		(3,582)		99
Net increase (decrease) in cash and cash equivalents		55,330		(26,429)
Cash and cash equivalents at beginning of period		100,886		121,990
Cash and cash equivalents at end of period	$	156,216	$	95,561
Supplemental disclosure of cash flow information:				
Cash paid for income taxes	$	24,851	$	26,637
Cash paid for interest	$	14,196	$	16,610

See Notes to Condensed Consolidated Financial Statements.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Bio-Techne Corporation and Subsidiaries
(unaudited)

Note 1. Basis of Presentation and Summary of Significant Accounting Policies:

The interim condensed consolidated financial statements of Bio-Techne Corporation and subsidiaries, (the Company) presented here have been prepared by the Company and are unaudited. They have been prepared in accordance with accounting principles generally accepted in the United States of America and with instructions to Form 10-Q and Article 10 of Regulation S-X. They reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented. All such adjustments are of a normal recurring nature.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These interim unaudited condensed consolidated financial statements should be read in conjunction with the Company's Consolidated Financial Statements and Notes thereto for the fiscal year ended June 30, 2019, included in the Company's Annual Report on Form 10-K/A for fiscal year 2019. The Company's condensed consolidated Balance Sheet as of June 30, 2019 was derived from the audited annual Consolidated Financial Statements for fiscal year2019. Refer to the Company's Annual Report on Form 10-K/A for fiscal year 2019 for the notes to the June 30, 2019 Balance Sheet and a summary of significant accounting policies followed by the Company. The Company follows these policies in preparation of the interim unaudited condensed consolidated financial statements.

During fiscal year 2020, the Company operated under two operating segments, Protein Sciences and Diagnostics and Genomics. The operating segments the company operated under were consistent with the Company's reportable segments disclosed in the Company's Annual Report on Form 10-K/A for fiscal 2019.

Recently Adopted Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which amends the existing guidance to require lessees to recognize lease assets and lease liabilities from operating leases on the balance sheet. The FASB has issued narrow codification improvements to Leases (Topic 842) through ASU No. 2018-10 and ASU 2019-01. Additionally, the FASB issued ASU 2018-11, allowing an entity to elect a transition method where they donot recast prior periods presented in the financial statements in the period of adoption. The Company has elected the transition method allowed for under ASU 2018-11 when adopting Leases (Topic 842). The Company adopted the standard effective July 1, 2019 and correspondingly recorded incremental operating lease liabilities of $80.6 million, a right-of-use lease asset of $79.5 million, retained earnings of $0.8 million and a deferred tax adjustment of $0.3 million. Additionally, the Company reclassified $4.0 million of deferred rent recorded within accrued expenses under ASC 840 - Leases into operating lease liabilities upon adoption of Topic842. In adopting ASC 842, the Company elected the package of available practical expedients and to use hindsight in determining the lease term for all existing leases. Further, as part of our adoption of ASC 842, the Company also made the accounting policy elections to not capitalize short term leases (defined as a lease with a lease term that is less than12 months) and to combine lease and non-lease components for all asset classes in determining the lease payments. Refer to Note 7 for additional information on leases.

Pronouncements Issued But Not Yet Adopted

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments.* The amendment in this update replaced the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses on instruments within its scope, including trade and loan receivables and available-for-sale debt securities. This update is intended to provide financial statement users with more decision-useful information about the expected credit losses. This ASU is effective for annual periods and interim periods for those annual periods beginning after December 15, 2019, which for us is July 1, 2020. Entities may early adopt beginning after December 15, 2018. We are currently evaluating the impact of the adoption of ASU 2016-13 on our consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. The standard aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The accounting for the service element of a hosting arrangement that is a service contract is not affected by the new standard. This ASU is effective for annual periods and interim periods for those annual periods beginning afterDecember 15, 2019, which for us is July 1, 2020 and may be adopted retrospectively or prospectively to eligible costs incurred on or after the date the guidance isfirst applied. We are currently evaluating the impact of the adoption of ASU 2018-15 on our consolidated financial statements and anticipate that we will adopt the standard prospectively.

In March 2020, the FASB issued ASU No. 2020-04, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting* This ASU provides expedients and exceptions to existing guidance on contract modifications and hedge accounting that is optional to facilitate the market transition from a reference rate, including LIBOR which is being phased out in 2021, to a new reference rate. The standard was effective upon issuance. The provisions of the ASU would impact contract modifications and other changes that occur while LIBOR is phased out. The Company is in the process of evaluating the optional relief guidance provided within this ASU and is also reviewing its debt and derivative instrument that utilizes LIBOR as the reference rate. The Company will continue to evaluate and monitor developments and our assessment of ASU 2020-04 during the LIBOR transition period.

Note 2. Revenue Recognition:

Consumables revenues consist of single-use products and are recognized at a point in time following the transfer of control of such products to the customer, which generally occurs upon shipment. Instruments revenues typically consist of longer-lived assets that, for the substantial majority of sales, are recognized at a point in time in a manner similar to consumables. The vast majority of service revenues consist of extended warranty contracts, post contract support ("PCS"), and custom development projects that are recognized over time as either the customers receive and consume the benefits of such services simultaneously or the underlying asset being developed has no alternative use for the Company at contract inception and the Company has an enforceable right to payment for the portion of the performance completed. The remaining service revenues were not material to the period and consist of laboratory services recognized at point in time. Given the Company doesnot have significant historical experience collecting payments from Medicare or insurance providers, the Company considered the variable consideration for such services to be constrained as it would not be probable that a significant amount of revenue would not need to be reversed in future periods for the services provided. Accordingly, the Company didnot record revenue upon completion of the performance obligation, but rather upon cash receipt, which was subsequent to the performance obligation being satisfied. Royalty revenues are primarily based on net sales of the Company's licensed products by a third party. We recognize royalty revenues in the period the sales occur using third party evidence. The Company elected the "right to invoice" practical expedient based on the Company's right to invoice a customer at an amount that approximates the value to the customer and the performance completed to date.

The Company elected the exemption to not disclose the unfulfilled performance obligations for contracts with an original length ofone year or less and the exemption to exclude future performance obligations that are accounted under the sales-based or usage-based royalty guidance. The Company's unfulfilled performance obligations were not material as of March 31, 2020.

Contracts with customers that contain instruments may include multiple performance obligations. For these contracts, the Company allocates the contract's transaction price to each performance obligation on a relative standalone selling price basis. Allocation of the transaction price is determined at the contracts' inception.

Payment terms for shipments to end-users are generally net30 days. Payment terms for distributor shipmentsmay range from 30 to 90 days. Service arrangements commonly call for payments in advance of performing the work (e.g. extended warranty and service contracts), upon completion of the service (e.g. custom development manufacturing) or a mix of both.

Contract assets include revenues recognized in advance of billings. Contract assets are included within other current assets in the accompanying balance sheet as the amount of time expected to lapse until the company's right to consideration becomes unconditional is less than one year. We elected the practical expedient allowing us to expense contract costs that would otherwise be capitalized and amortized over a period of less than one year. Contract assets as of March 31, 2020 are not material.

Contract liabilities include billings in excess of revenues recognized, such as those resulting from customer advances and deposits and unearned revenue on warranty contracts. Contract liabilities as of March 31, 2020 and June 30, 2019 were approximately $14.8 million and $10.4 million, respectively. Contract liabilities as of June 30, 2019 subsequently recognized as revenue during the quarter period and nine month period ended March 31, 2020 were approximately $1.1 million and $7.0 million, respectively. Contract liabilities in excess of one year are included in Other long-term liabilities on the balance sheet.

Any claims for credit or return of goods must be made within10 days of receipt. Revenues are reduced to reflect estimated credits and returns. Although the amounts recorded for these revenue deductions are dependent on estimates and assumptions, historically our adjustments to actual results have not been material.

Taxes collected from customers relating to product sales and remitted to governmental authorities are excluded from revenue. Amounts billed to customers for shipping and handling are included in revenue, while the related shipping and handling costs are reflected in cost of products. We elected the practical expedient that allows us to account for shipping and handling activities that occur after the customer has obtained control of a good as a fulfillment cost, and we accrue costs of shipping and handling when the related revenue is recognized.

The following tables present our disaggregated revenue for the periods presented.

Revenue by type is as follows:

	Quarter Ended March 31,		*Nine Months Ended March 31,*	
	2020	*2019*	*2020*	*2019*
Consumables	$ 161,958	$ 153,783	$ 462,660	$ 429,340
Instruments	16,405	16,104	53,381	51,116
Services	11,426	9,565	32,917	27,027
Total product and services revenue, net	$ 189,789	$ 179,452	$ 548,958	$ 507,483
Royalty revenues	4,891	5,409	13,899	14,858
Total revenues, net	$ 194,680	$ 184,861	$ 562,857	$ 522,341

Revenue by geography is as follows:

	Quarter Ended March 31,		*Nine Months Ended March 31,*	
	2020	*2019*	*2020*	*2019*
United States	$ 109,797	$ 98,228	$ 311,815	$ 281,585
EMEA, excluding United Kingdom	39,108	42,339	115,993	116,018
United Kingdom	9,166	10,737	24,619	26,703
APAC, excluding Greater China	17,193	14,943	46,982	39,990
Greater China	13,781	12,993	49,655	42,727
Rest of World	5,635	5,621	13,793	15,318
Total revenues, net	$ 194,680	$ 184,861	$ 562,857	$ 522,341

Note 3. Selected Balance Sheet Data:

Inventories:

Inventories consist of (in thousands):

	March 31, 2020	June 30, 2019
Raw materials	$ 47,263	$ 40,913
Finished goods(1)	56,059	53,376
Inventories, net	$ 103,322	$ 94,289

(1) Finished goods inventory of $3,649 and $3,239 is included within other long-term assets in the respective March 31, 2020 and June 30, 2019, consolidated balance sheet. The inventory is included in long-term assets as it is forecasted to be sold after the 12 months subsequent to the consolidated balance sheet date.

Property and Equipment:

Property and equipment consist of (in thousands):

	March 31, 2020	June 30, 2019
Land	$ 7,561	$ 7,065
Buildings and improvements	182,300	175,019
Machinery and equipment	141,506	124,233
Property and equipment, cost	331,367	306,317
Accumulated depreciation	(166,355)	(152,278)
Property and equipment, net	$ 165,012	$ 154,039

Intangible Assets:

Intangible assets consist of (in thousands):

	March 31, 2020	June 30, 2019
Developed technology	$ 434,367	$ 435,679
Trade names	146,428	147,296
Customer relationships	209,651	214,320
Patents	2,377	2,133
Intangible assets	792,823	799,428
Accumulated amortization	(262,490)	(219,999)
Intangible assets, net	$ 530,333	$ 579,429

Changes to the carrying amount of net intangible assets for thenine months ended March 31, 2020 consist of (in thousands):

Beginning balance	$	579,429
Acquisitions		-
Other additions		214
Amortization expense		(45,625)
Currency translation		(3,685)
Ending balance	$	530,333

The estimated future amortization expense for intangible assets as ofMarch 31, 2020 is as follows (in thousands):

2020 remainder	$	15,423
2021		59,545
2022		57,335
2023		55,469
2024		53,008
Thereafter		289.553
Total	$	530,333

Goodwill:

Changes to the carrying amount of goodwill for thenine months ended March 31, 2020 consist of (in thousands):

	Protein Sciences	*Diagnostics and Genomics*	*Total*
Beginning balance	$ 377,407	355,260	$ 732,667
Acquisitions (Note 4)	-	-	-
Prior year acquisitions/adjustments (Note 4)	(326)	-	(326)
Currency translation	(6,424)	(86)	(6,510)
Ending balance	$ 370,657	$ 355,174	$ 725,831

We evaluate the carrying value of goodwill in the fourth quarter of each fiscal year and between annual evaluations if events occur or circumstances change that would indicate a possible impairment. The Company performed a goodwill impairment assessment for all of its reporting units during the fourth quarter of fiscal 2019. No indicators of impairment were identified as part of our assessment.

No triggering events were identified during thenine months ended March 31, 2020. There has been no impairment of goodwill since the adoption of Financial Accounting Standards Board ("FASB") ASC 350 guidance for goodwill and other intangibles on July 1, 2002.

Note 4. Acquisitions:

We periodically complete business combinations that align with our business strategy. Acquisitions are accounted for using the acquisition method of accounting, which requires, among other things, that assets acquired and liabilities assumed be recognized at fair value as of the acquisition date and the results of operations of each acquired business are included in our consolidated statements of comprehensive income from their respective dates of acquisition. Acquisition costs are recorded in selling, general and administrative expenses as incurred.

B-MoGen Biotechnologies

On June 4, 2019, the Company acquired the remaining interest in B-MoGen Biotechnologies, Inc. (B-MoGen) for approximately $17.4 million, net of cash acquired, plus contingent consideration of up to $38.0 million, subject to certain product development milestones and revenue thresholds. The Company previously held an investment of $1.4 million in B-MoGen and recognized a gain of approximately $3.7 million on the date of the transaction representing the adjustment of our historical investment to its fair value as previously disclosed in our 10K/A. The goodwill recorded as result of the acquisition represents the strategic benefits of growing the Company's product portfolio and the expected revenue growth from increased market penetration. The goodwill is not deductible for income tax purposes. The business became part of the Protein Sciences reportable segment in the fourth quarter of fiscal year 2019. Purchase accounting was finalized during the third quarter of fiscal 2020. The preliminary and final fair values of the assets acquired and liabilities assumed are as follows (in thousands):

	Preliminary Allocation at Acquisition Date	*Adjustments to Fair Value*	*Adjusted Final Allocation at March 31, 2020*
Current assets, net of cash	$ 504	$ -	$ 504
Equipment and other long-term assets	269	-	269
Intangible assets:			
Developed technology	14,000	-	14,000
Customer relationships	400	-	400
Goodwill	16,457	(326)	16,131
Total assets acquired	31,630	(326)	31,304
Liabilities	211	-	211
Deferred income taxes, net	3,377	(326)	3,051
Net assets acquired	$ 28,042	$ -	$ 28,042
Cash paid, net of cash acquired	$ 17,448	$ -	$ 17,448
Fair value of contingent consideration	5,500	-	5,500
Fair value of historical investment in B-MoGen	5,094	-	5,094
Net assets acquired	$ 28,042	$ -	$ 28,042

Tangible assets and liabilities acquired were recorded at fair value on the date of close based on management's assessment. The purchase price allocated to developed technology was estimated based on management's forecasted cash inflows and outflows and using a multi-period excess earnings method to calculate the fair value of assets purchased. The amount recorded for developed technology is being amortized with the expense reflected in cost of goods sold in the Condensed Consolidated Statement of Earnings and Comprehensive Income. The amortization period for developed technology is estimated to be 14 years. The net deferred income tax liability represents the net amount of the estimated future impact of adjustments for costs to be recognized as intangible asset amortization, which is not deductible for income tax purposes offset by the deferred tax asset for the calculation of acquired NOLs.

Note 5. Fair Value Measurements:

The Company's financial instruments include cash and cash equivalents, available for sale investments, derivative instruments, accounts receivable, accounts payable, contingent consideration obligations, and long-term debt.

Fair value is defined as the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. This standard also establishes a hierarchy for inputs used in measuring fair value. This standard maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs market participants would use in valuing the asset or liability based on market data obtained from independent sources. Unobservable inputs are inputs that reflect our assumptions about the factors market participants would use in valuing the asset or liability based upon the best information available in the circumstances.

The categorization of financial assets and liabilities within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The hierarchy is broken down into three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs (other than quoted prices) that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable for the asset or liability and their fair values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable. Level 3 may also include certain investment securities for which there is limited market activity or a decrease in the observability of market pricing for the investments, such that the determination of fair value requires significant judgment or estimation.

The following tables provide information by level for financial assets and liabilities that are measured at fair value on a recurring basis (in thousands):

	Total carrying value as of March 31, 2020	*Fair Value Measurements Using Inputs Considered as*		
		Level 1	*Level 2*	*Level 3*
Assets				
Equity securities (1)	$ 70,172	$ 64,587	$ 5,585	$ -
Certificates of deposit (2)	34,700	34,700	-	-
Total assets	$ 104,872	$ 99,287	$ 5,585	$ -
Liabilities				
Contingent consideration	$ 7,850	$ -	$ -	$ 7,850
Derivative instruments - cash flow hedges	18,725	-	18,725	-
Total liabilities	$ 26,575	$ -	$ 18,725	$ 7,850

	Total carrying value as of June 30, 2019	*Fair Value Measurements Using Inputs Considered as*		
		Level 1	*Level 2*	*Level 3*
Assets				
Equity securities (1)	$ 38,219	$ 38,219	$ -	$ -
Certificates of deposit (2)	26,928	26,928	-	-
Total assets	$ 65,147	$ 65,147	$ -	$ -
Liabilities				
Contingent consideration	$ 12,600	$ -	$ -	$ 12,600
Derivative instruments - cash flow hedges	12,458	-	12,458	-
Total liabilities	$ 25,058	$ -	$ 12,458	$ 12,600

(1) Included in available-for-sale investments on the condensed consolidated balance sheet. The cost basis in the Company's investment in ChemoCentryx Inc (CCXI) was $7.6 million and $18.8 million as of March 31, 2020 and June 30, 2019, respectively. The Company has a warrant to purchase additional CCXI equity shares which was valued at $5.6 million as of March 31, 2020. The fair value of the warrant as of June 30, 2019 was not material.

(2) Included in available-for-sale investments on the condensed consolidated balance sheet. The certificates of deposit have contractual maturity dates within one year.

Fair value measurements of available for sale securities

Available for sale securities excluding warrants are measured at fair value using quoted market prices in active markets for identical assets and are therefore classified as Level 1 assets. The Company's warrant to purchase additional shares at a specified future price was valued using a Black-Scholes model with observable inputs in active markets and therefore was classified as a Level 2 asset.

Fair value measurements of derivative instruments

In October 2018, the Company entered into forward starting swaps designated as cash flow hedges on outstanding debt. The forward starting swaps reduce the variability of cash flow payments for the Company by converting the variable interest rate on the Company's long-term debt described in Note 6 to that of a fixed interest rate. Accordingly, as part of the forward starting swaps, the Company will exchange, at specified intervals, the difference between floating and fixed interest amounts based on $380 million of notional principal amount. The change in the fair value of the instrument is reported as a component of the other comprehensive income and reclassified into interest expense over the corresponding term of the cash flow hedge. As further described in Note 8, the company reclassified $1.3 million and $2.1 million out of other comprehensive income into interest expense during the quarter and nine months ended March 31, 2020, respectively. The liability related to the derivative instrument was recorded within Other long-term liabilities on the Consolidated Balance Sheet. The instrument was valued using observable market inputs in active markets and therefore classified as a Level 2 liability.

Fair value measurements of contingent consideration
In connection with the Exosome Diagnostics, Inc. (Exosome), QT Holdings Corporation (Quad), and B-MoGen acquisitions the Company is required to make contingent consideration payments of up to $325.0 million, $51.0 million and $38.0 million, respectively. The contingent consideration payments are subject to Exosome achieving certain EBITA thresholds, Quad meeting certain product development milestones and revenue thresholds, and B-MoGen meeting certain product development milestones and revenue thresholds. The preliminary fair value of the liabilities for the contingent payments recognized upon the acquisition as part of the purchase accounting opening balance sheet totaled $14.6 million ($3.8 million for Exosome, $5.3 million for Quad, and $5.5 million for B-MoGen). The preliminary fair value of the development milestone payments was estimated by discounting to present value the probability-weighted contingent payments expected to be made. Assumptions used in these calculations were probability of success, duration of the earn-out, and discount rate. The preliminary fair value for the EBITA and revenue milestone payments was determined using a Monte Carlo simulation-based model discounted to present value. Assumptions used in these calculation included units sold, expected revenue, expected expenses, discount rate and various probability factors. The ultimate settlement of contingent consideration could deviate from current estimates based on the actual results of these financial measures. This liability is considered to be a Level 3 financial liability that is re-measured each reporting period. The change in fair value of contingent consideration for these acquisitions is included in general and administrative expense.

The following table presents a reconciliation of the liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the quarter and nine months ended March 31, 2020 (in thousands):

	Quarter Ended March 31, 2020	*Nine Months Ended March 31, 2020*
Fair value at the beginning of period	$ 12,555	$ 12,600
Change in fair value of contingent consideration	(705)	(605)
Payments	(4,000)	(4,145)
Fair value at the end of period	$ 7,850	$ 7,850

The use of different assumptions, applying different judgment to matters that inherently are subjective and changes in future market conditions could result in different estimates of fair value of our securities or contingent consideration, currently and in the future. If market conditions deteriorate, we may incur impairment charges for securities in our investment portfolio. We may also incur changes to our contingent consideration liability as discussed below.

Fair value measurements of other financial instruments – The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate fair value.

Cash and cash equivalents, certificates of deposit, accounts receivable, and accounts payable – The carrying amounts reported in the consolidated balance sheets approximate fair value because of the short-term nature of these items.

Long-term debt – The carrying amounts reported in the consolidated balance sheets for the amount drawn on our line-of-credit facility approximates fair value because our interest rate is variable and reflects current market rates.

Note 6. Debt and Other Financing Arrangements:

On August 1, 2018, the Company entered into a new revolving line-of-credit and term loan governed by a Credit Agreement (the Credit Agreement). The Credit Agreement provides for a revolving credit facility of $600.0 million, which can be increased by an additional $200.0 million subject to certain conditions, and a term loan of $250.0 million. Borrowings under the Credit Agreement may be used for working capital and expenditures of the Company and its subsidiaries, including financing permitted acquisitions. Borrowings under the Credit Agreement bear interest at a variable rate. The current outstanding debt is based on the Eurodollar Loans term for which the interest rate is calculated as the sum of LIBOR plus an applicable margin. The applicable margin is determined from the total leverage ratio of the Company and updated on a quarterly basis. The annualized fee for any unused portion of the credit facility is currently 20 basis points.

The Credit Agreement matures on August 1, 2023 and contains customary restrictive and financial covenants and customary events of default. As of March 31, 2020, the outstanding balance under the Credit Agreement was $420.1 million.

Note 7. Leases:

As a lessee, the company leases offices, labs, and manufacturing facilities, as well as vehicles, copiers, and other equipment. The Company adopted ASUNo. 2016-02 and related standards (collectively ASC 842, *Leases*), which replaced previous lease accounting guidance, on July 1, 2019.

The Company recognizes operating lease expense on a straight-line basis over the lease term. Operating lease right-of-use assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The discount rate used to calculate present value is the Company's incremental borrowing rate or, if available, the rate implicit in the lease. The Company determines the incremental borrowing rate for each lease based primarily on its lease term and the economic environment of the applicable country or region. During the quarter and nine months ended March 31, 2019, the Company recognized $0.8 million and $2.7 million in variable lease expense, respectively, in the Condensed Consolidated Statements of Earnings and Comprehensive Income. During the quarter andnine months ended March 31, 2020, the Company also recognized $3.2 million and $9.5 million, respectively relating to fixed lease expense in the Condensed Consolidated Statements of Earnings and Comprehensive Income.

The following table summarizes the balance sheet classification of the Company's operating leases, amounts of right of use assets and lease liabilities, the weighted average remaining lease term, and the weighted average discount rate for the Company's operating leases (asset and liability amounts are in thousands):

	Balance Sheet Classification		*As of: March 31, 2020*
Operating leases:			
Operating lease right of use assets	Right of Use Asset	$	73,751
Current operating lease liabilities	Operating lease liabilities current	$	9,544
Noncurrent operating lease liabilities	Operating lease liabilities		69,491
Total operating lease liabilities		$	79,035
Weighted average remaining lease term (in years):			8.89
Weighted average discount rate:			4.39%

The following table summarizes the cash paid for amounts included in the measurement of operating lease liabilities and right of use assets obtained in exchange for new operating lease liabilities for the nine months ended March 31, 2020 (in thousands):

		Nine months ended March 31, 2020
Cash amounts paid on operating lease liabilities(1)	$	9,643
Right of use assets obtained in exchange for lease liabilities		1,640

(1) Total cash paid for the Company's operating leases during thenine months ended March 31, 2020 include cash amounts paid on operating lease liabilities and variable lease expenses. Cash flow impacts from right of use assets and lease liabilities are presented net on the cash flow statement in changes in other operating activity.

The following table summarizes the fair value of the lease liability by payment date for the Company's operating leases by fiscal year (in thousands):

		Operating Leases
Remainder of 2020	$	2,362
2021		9,405
2022		9,332
2023		8,918
2024		8,320
Thereafter		40,698
Total	$	79,035

Certain leases include one or more options to renew, with terms that extend the lease term up tofive years. The Company includes option to renew the lease as part of the right of use lease asset and liability when it is reasonably certain the Company will exercise the option. In addition, certain leases contain fair value purchase and termination options with an associated penalty. In general, the Company is not reasonably certain to exercise such options.

Disclosures related to periods prior to adoption of new lease standard:

At June 30, 2019, aggregate net minimum rental commitments under non-cancelable leases having an initial or remaining term of more than one year are payable as follows (in thousands):

	Operating Leases
2020	$ 13,707
2021	13,469
2022	13,154
2023	12,716
2024	11,392
Thereafter	51,895
Total	$ 116,333

Total rent expense was approximately $12.9 million, $10.8 million, and $9.8 million for the years ended June 30, 2019, 2018, and 2017, respectively.

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Note 8. Supplemental Equity and Accumulated Other Comprehensive Income (Loss):

Supplemental Equity

The Company has declared cash dividends per share of $0.32 and $0.96 in both the three and nine month periods ended March 31, 2020 and 2019, respectively.

Consolidated Changes in Equity (amounts in thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income(Loss)	Total
Balances at June 30, 2019	**37,934**	**$ 379**	**$ 316,797**	**$ 931,934**	**$ (83,521)**	**$ 1,165,589**
Cumulative effect adjustments due to adoption of new accounting standards and other				(879)		(879)
Net earnings				14,398		14,398
Other comprehensive income (loss)					(8,106)	(8,106)
Common stock issued for exercise of options	94	1	7,854			7,855
Common stock issued for restricted stock awards	50	0	(0)	(1,926)		(1,926)
Cash dividends				(12,169)		(12,169)
Stock-based compensation expense			8,267			8,267
Common stock issued to employee stock purchase plan	6	0	1,096			1,096
Employee stock purchase plan expense			99			99
Balances at September 30, 2019	**38,084**	**$ 381**	**$ 334,112**	**$ 931,358**	**$ (91,627)**	**$ 1,174,224**
Net earnings				119,622		119,622
Other comprehensive income (loss)					13,275	13,275
Common stock issued for exercise of options	195	2	18,293			18,295
Common stock issued for restricted stock awards	4	0	(0)			0
Cash dividends				(12,197)		(12,197)
Stock-based compensation expense			10,017			10,017
Common stock issued to employee stock purchase plan						
Employee stock purchase plan			112			112
Balance at December 31, 2019	**38,283**	**$ 383**	**$ 362,534**	**$ 1,038,783**	**$ (78,352)**	**$ 1,323,348**
Net earnings				36,432		36,432
Other comprehensive income (loss)					(25,105)	(25,105)
Share repurchases	(279)	(3)	0	(50,109)		(50,112)
Common stock issued for exercise of options	100	1	10,026			10,027
Common stock issued for restricted stock awards	1	0	(0)	(114)		(114)
Cash dividends				(12,279)		(12,279)
Stock-based compensation expense			7,745			7,745
Common stock issued to employee stock purchase plan	8	0	1,216			1,216
Employee stock purchase plan			110			110
Balance at March 31, 2020	**38,112**	**$ 381**	**$ 381,632**	**$ 1,012,713**	**$ (103,458)**	**$ 1,291,268**

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income(Loss)	Total
	Shares	*Amount*				
Balances at June 30, 2018	**37,608**	**$ 376**	**$ 246,568**	**$ 876,931**	**$ (44,814)**	**$ 1,079,061**
Cumulative effect adjustments due to adoption of new accounting standards and other				25,276	(24,682)	594
Net earnings				17,403		17,403
Other comprehensive income (loss)					(1,136)	(1,136)
Common stock issued for exercise of options	166	2	15,609			15,611
Common stock issued for restricted stock awards	24	0		(2,405)		(2,405)
Cash dividends				(12,066)		(12,066)
Stock-based compensation expense			11,327			11,327
Common stock issued to employee stock purchase plan	5	0	842			842
Employee stock purchase plan expense			238			238
Balances at September 30, 2018	**37,803**	**$ 378**	**$ 274,584**	**$ 905,139**	**$ (70,632)**	**$ 1,109,469**
Net earnings				17,556		17,556
Other comprehensive income (loss)					(12,379)	(12,379)
Share repurchases	(95)	(1)		(15,404)		(15,404)
Common stock issued for exercise of options	24		2,408			2,408
Common stock issued for restricted stock awards	3	0				-
Cash dividends				(12,086)		-
Stock-based compensation expense			6,784			6,784
Common stock issued to employee stock purchase plan	0	0				-
Employee stock purchase plan expense			77			77
Balances at December 31, 2018	**37,735**	**$ 377**	**$ 283,854**	**$ 895,205**	**$ (83,011)**	**$ 1,096,425**
Net earnings				44,654		44,654
Other comprehensive income (loss)					3,378	3,378
Share repurchases						-
Common stock issued for exercise of options	73	1	7,336			7,337
Common stock issued for restricted stock awards	1	0				-
Cash dividends				(12,086)		(12,086)
Stock-based compensation expense			5,640			5,640
Common stock issued to employee stock purchase plan	4	0	834			834
Employee stock purchase plan expense			84			84
Balances at March 31, 2019	**37,813**	**$ 378**	**$ 297,748**	**$ 927,773**	**$ (79,633)**	**$ 1,146,266**

Accumulated Other Comprehensive Income

The components of other comprehensive income (loss) consist of changes in foreign currency translation adjustments and changes in net unrealized gains (losses) on derivative instruments designated as cash flow hedges entered into in the second quarter of fiscal 2019. During the 9 months ended March 31, 2020, the company reclassified $1.6 million, net of taxes, from comprehensive income into income relating to cash payments made on the cash flow derivative instrument. The Company did not reclassify any gains (losses) from accumulated other comprehensive income (loss) to earnings during the nine months ended March 31, 2019.

The accumulated balances related to each component of other comprehensive income (loss), net of tax, are summarized as follows:

	Gains (Losses) on Derivative Instruments	*Foreign Currency Translation Adjustments*	*Total*
Balance as of June 30, 2019	$ (9,537)	$ (73,983)	$ (83,521)
Other comprehensive income (loss), net of tax before reclassifications	(6,413)	(15,138)	(21,551)
Reclassification of loss on derivatives to interest expense, net of taxes(3)	1,614	-	1,614
Balance as of March 31, 2020(1)(3)	$ (14,336)	$ (89,121)	$ (103,458)

	Gains (Losses) on Derivative Instruments	*Foreign Currency Translation Adjustments*	*Total*
Balance as of June 30, 2018(2)	$ -	$ (69,496)	$ (69,496)
Other comprehensive income (loss), net of tax before reclassifications	(5,769)	(4,368)	(10,137)
Balance as of March 31, 2019 (3)	$ (5,769)	$ (73,864)	$ (79,633)

(1) The gain (loss) on the interest rate swap will be reclassified into interest expense as payments on the derivative agreement are made. Approximately ($1,487) of the ($14,336) will be reclassified into earnings in the 12 months subsequent to March 31, 2020.
(2) As previously disclosed in our 10-K/A, unrealized gains of $24,682 on available-for-sale investments with readily determinable fair vales were included in the June 30, 2018 Consolidated Balance Sheet and were reclassified into retained earnings at the beginning of fiscal 2019 upon our adoption of ASU 2016-01 and ASU 2018-02. The amounts presented in accumulated other comprehensive income as of June 30, 2018 exclude these unrealized gains subsequently reclassified into retained earnings.
(3) The Company reclassified ($2,102) to interest expense and a related tax benefit tax of $488 during the nine months ended March 31, 2020. The Company had deferred tax benefits of $4,390 and $1,792 included in the accumulated other comprehensive income loss as of March 31, 2020 and March 31, 2019, respectively.

Note 9. Earnings Per Share:

The following table reflects the calculation of basic and diluted earnings per share (in thousands, except per share amounts):

	Quarter Ended March 31,		Nine Months Ended March 31,	
	2020	2019	2020	2019
Earnings per share – basic:				
Net income	$ 36,432	$ 44,654	$ 170,451	$ 79,612
Income allocated to participating securities	(26)	(35)	(126)	(66)
Income available to common shareholders	$ 36,406	$ 44,619	$ 170,325	$ 79,546
Weighted-average shares outstanding – basic	38,303	37,772	38,167	37,745
Earnings per share – basic	$ 0.95	$ 1.18	$ 4.46	$ 2.11
Earnings per share – diluted:				
Net income	$ 36,432	$ 44,654	$ 170,451	$ 79,612
Income allocated to participating securities	(26)	(35)	(126)	(66)
Income available to common shareholders	$ 36,406	$ 44,619	$ 170,325	$ 79,546
Weighted-average shares outstanding – basic	38,303	37,772	38,167	37,745
Dilutive effect of stock options and restricted stock units	1,132	1,089	1,187	1,068
Weighted-average common shares outstanding – diluted	39,435	38,861	39,354	38,813
Earnings per share – diluted	$ 0.92	$ 1.15	$ 4.33	$ 2.05

The dilutive effect of stock options and restricted stock units in the above table excludes all options for which the aggregate exercise proceeds exceeded the average market price for the period. The number of potentially dilutive option shares excluded from the calculation was 1.1 million and 1.3 million for the quarter ended March 31, 2020 and 2019, respectively and 1.2 million and 1.3 million for the nine months ended March 31, 2020 and 2019 respectively.

Note 10. Share-based Compensation:

During the nine months ended March 31, 2020 and 2019, the Company granted 0.8 million and 0.9 million stock options at weighted average grant prices of $190.80 and $173.89 and weighted average fair values of $37.01 and $34.66, respectively. During the nine months ended March 31, 2020 and 2019, the Company granted 30,858 and 56,403 restricted stock units at a weighted average fair value of $192.08 and $170.96, respectively. During the nine months ended March 31, 2020 and 2019, the Company granted 15,398 and 14,887 shares of restricted common stock shares at a weighted average fair value of $193.48 and $177.93.

Stock options for 398,320 and 263,995 shares of common stock with total intrinsic values of $48.6 million and $22.3 million were exercised during the nine months ended March 31, 2020 and 2019, respectively.

Stock-based compensation expense of $7.6 million and $5.7 million was included in selling, general and administrative expenses for the quarter ended March 31, 2020 and 2019, respectively. Stock-based compensation expense of $26.1 million and $24.2 million was included in selling, general, and administrative expenses for the nine months ended March 31, 2020 and 2019, respectively. Additionally, the company recognized $ 0.5 million and $1.4 million in cost of goods sold in the quarter and nine months ended March 31, 2020 respectively. As of March 31, 2020, there was $30.1 million of unrecognized compensation cost related to non-vested stock options, non-vested restricted stock units and non-vested restricted stock. The weighted average period over which the compensation cost is expected to be recognized is 2.0 years.

Note 11. Other Income / (Expense):

The components of other income (expense) in the accompanying Statement of Earnings and Comprehensive Income are as follows:

	Quarter Ended March 31,		Nine Months March 31,	
	2020	2019	2020	2019
Interest expense	(4,486)	$ (5,113)	(14,580)	$ (16,110)
Interest income	144	84	486	299
Other non-operating income (expense), net(1)	3,372	10,816	110,937	1,585
Total other income (expense)	(970)	$ 5,787	96,843	$ (14,226)

(1) The changes in other non-operating income (expense) were driven by changes in the fair value of our CCXI investment as further described in Note 5 above.

Note 12. Income Taxes:

The Company's effective income tax rate for the third quarter of fiscal 2020 and 2019 was 22.2% and 10.5% of consolidated earnings before income taxes, and 20.7% and 10.8% for the first nine months of fiscal 2020 and 2019, respectively. The change in the company's tax rate for the quarter and nine months ended March 31, 2020 compared to the quarter and nine months ended March 31, 2019 were driven by changes in the composition and amount of the Company's taxable income in fiscal 2020 resulting from the gain on our CCXI investment and discrete tax items.

The Company recognized total net benefits related to discrete tax items of $1.4 million and $8.1 million during the quarter and nine months ended March 31, 2020, respectively, compared to $6.2 million and $11.4 million during the quarter and nine months ended March 31, 2019, respectively. Share-based compensation excess tax benefit contributed $1.5 million and $8.5 million in the quarter and nine months ended March 31, 2020, respectively, compared to $1.1 million and $4.8 million in the quarter and nine months, ended March 31, 2019, respectively. The Company recognized total other immaterial net discrete tax expense of $0.1 million and $0.4 million in the quarter and nine months ended March 31, 2020, respectively, compared to other net discrete tax benefits of $5.1 million and $6.7 million in the quarter and nine months ended March 31, 2019, respectively.

The Company continues to monitor changes in interpretations, assumptions guidance, and additional regulations regarding the Tax Cuts and Jobs Act (the "Tax Act"), which was enacted on December 22, 2017. The Company recognizes potential changes to these items could have a material impact on our effective tax rate in future periods.

Note 13. Segment Information:

The Company's management evaluates segment operating performance based on operating income before certain charges to cost of sales and selling, general and administrative expenses, principally associated with acquisition accounting related to inventory, amortization of acquisition-related intangible assets and other acquisition-related expenses. The Protein Sciences and Diagnostics and Genomics segments both include consumables, instruments, services and royalty revenue.

The following is financial information relating to the Company's reportable segments (in thousands):

	Quarter Ended March 31,		*Nine Months Ended March 31,*	
	2020	*2019*	*2020*	*2019*
Net sales:				
Protein Sciences	$ 145,509	$ 137,935	$ 428,021	$ 399,787
Diagnostics and Genomics	49,411	47,134	135,808	123,144
Intersegment	(240)	(208)	(972)	(590)
Consolidated net sales	$ 194,680	$ 184,861	$ 562,857	$ 522,341
Operating income:				
Protein Sciences	$ 65,046	$ 62,256	$ 185,456	$ 175,821
Diagnostics and Genomics	7,062	3,579	8,937	5,061
Segment operating income	$ 72,108	$ 65,835	$ 194,393	$ 180,882
Costs recognized on sale of acquired inventory	-	(935)	-	(2,804)
Amortization of acquisition related intangible assets	(15,459)	(14,400)	(45,467)	(43,678)
Acquisition related expenses	322	-	(107)	(2,973)
Stock based compensation	(8,088)	(5,725)	(27,505)	(24,151)
Corporate general, selling, and administrative expenses	(1,092)	(685)	(3,205)	(3,821)
Consolidated operating income	$ 47,791	$ 44,090	$ 118,109	$ 103,455

Note 14. Subsequent Events:
None.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management discussion and analysis (“MD&A”) provides information that we believe is useful in understanding our operating results, cash flows and financial condition. We provide quantitative information about the material sales drivers including the effect of acquisitions and changes in foreign currency at the corporate and segment level. We also provide quantitative information about discrete tax items and other significant factors we believe are useful for understanding our results. The MD&A should be read in conjunction with both the unaudited consolidated financial information and related notes included in this Form 10-Q, and Management’s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended June 30, 2019. This discussion contains various “Non-GAAP Financial Measures” and also contains various “Forward-Looking Statements” within the meaning of the Private Securities Litigation Reform Act of 1995. We refer readers to the statements entitled “Non-GAAP Financial Measures” and “Forward-Looking Information and Cautionary Statements” located at the end of Item 2 of this report.

OVERVIEW

Bio-Techne and its subsidiaries, collectively doing business as Bio-Techne Corporation (Bio-Techne, we, our, us or the Company) develop, manufacture and sell biotechnology reagents, instruments and services for the research and clinical diagnostic markets worldwide. With our deep product portfolio and application expertise, we strive to provide the life sciences community with innovative, high-quality scientific tools to better understand biological processes and drive discovery of diagnostic and therapeutic products.

Consistent with above, we have operated with two segments – our Protein Sciences segment and our Diagnostics and Genomics segment - during the fiscal year 2020. Our Protein Sciences segment is a leading developer and manufacturer of high-quality purified proteins and reagent solutions, most notably cytokines and growth factors, antibodies, immunoassays, biologically active small molecule compounds, tissue culture reagents and T-Cell activation technologies. This segment also includes protein analysis solutions that offer researchers efficient and streamlined options for automated western blot and multiplexed ELISA workflow. Our Genomics and Diagnostics segment develops and manufactures diagnostic products, including FDA-regulated controls, calibrators, blood gas and clinical chemistry controls and other reagents for OEM and clinical customers, as well as a portfolio of clinical molecular diagnostic oncology assays, including the ExoDx®Prostate(IntelliScore) test for prostate cancer diagnosis. This segment also manufactures and sells advanced tissue-based in-situ hybridization assays (ISH) for research and clinical use.

RECENT ACQUISITIONS

A key component of the Company's strategy is to augment internal growth at existing businesses with complementary acquisitions. The Company did not make any acquisitions in the nine months ended March 31, 2020. Refer to the prior year Annual Report on Form 10-K for additional disclosure regarding the Company's recent acquisitions.

RESULTS OF OPERATIONS

Operational Update

Consolidated net sales increased 5% and 8% for the quarter and nine months ended March 31, 2020 compared to the same prior year periods. Organic growth for the quarter and nine months ended March 31, 2020 was 6% and 8%, respectively, compared to the same prior year periods. Foreign currency translation had an unfavorable impact of 1% in both comparative periods while acquisitions contributed an immaterial amount in the three months ended March 31, 2020 and 1% in the nine months ended March 31, 2020.

Consolidated net earnings decreased to $36.4 million for the quarter ended March 31, 2020 from $44.7 million due to approximately $12 million in gains on available-for-sale investments in the prior year. Net earnings increased to $170.5 million for the nine months ended March 31, 2020 compared to $79.6 million in the same prior year period due to approximately a $110 million gain recorded on available-for-sale investments in the current year.

COVID-19 Business Update

The Company is impacted by the COVID-19 pandemic and accordingly, updated its risk factors in Item 1A "Risk Factors" of this form 10-Q.

COVID-19 negatively impacted sales growth during the third quarter of fiscal year 2020 due to numerous customer site shutdowns that occurred in our academia and Bio-Pharma end-markets, particularly in the last several weeks of the quarter. We estimate these customer site shutdowns negatively impacted our third quarter fiscal year 2020 sales by approximately 3%. Customer site shutdowns will continue to have a negative impact on sales while they remain in effect, and we are currently unable to forecast the impact given uncertainty over the duration of the COVID-19 pandemic. Longer term, we are anticipating a positive outlook for future sales growth resulting from expected future funding increases within life-science research in response to the current pandemic.

The Company has responded to COVID-19 by developing resources for SARS-CoV-2 detection, cytokine monitoring, and drug discovery, all which provide critical support in understanding the mechanisms of infection and developing effective treatments. The Company continues to pursue available opportunities to partner in the fight against COVID-19, which may partially offset the impact of our customer site closures.

Earnings per share (EPS) and Adjusted EPS was negatively impacted by COVID-19 by an estimated $0.07-$0.09 in the third quarter of fiscal 2020. The COVID-19 impact on EPS and adjusted EPS was primarily due to the sales impacts described above. We anticipate the short- and long-term impacts of COVID-19 on EPS and adjusted EPS to be similar to that of sales growth.

The Company remains in a strong financial position with sufficient available cash to meet its current obligations as well as access to additional funding, if necessary, through our long-term debt agreement. We did not experience any material changes to our March 31, 2020 Balance Sheet resulting from COVID-19 for items such as additional reserves or asset impairments resulting from the pandemic.

The Company remains fully operational as we abide by local “stay at home” orders across the world. To achieve this, the Company is utilizing a remote workforce where possible. For employees who are unable to work remotely, the Company adopted significant protective measures at our sites, including staggered shifts, and distancing and hygiene best practices recommended by the Center for Disease Control (CDC). In addition, the Company has taken additional steps to monitor and strengthen our supply chain to maintain an uninterrupted supply of our critical products and services.

Net Sales

Consolidated net sales for the quarter and nine months ended March 31, 2020 were $194.7 million and $562.9 million, respectively, an increase of 5% and 8% from the same prior year periods. Organic growth for the quarter and nine months ended March 31, 2020 was 6% and 8%, respectively, compared to the same prior year periods. Foreign currency translation had an unfavorable impact of 1% in both comparative periods while acquisitions contributed an immaterial amount in the three months ended

March 31, 2020 and 1% in the nine months ended March 31, 2020. For the quarter and nine months ended March 31, 2020 the Company experienced broad based revenue growth in North America and China across end markets despite the COVID-19 impacts discussed in the update above.

Gross Margins

Consolidated gross margins for the quarter and nine months ended March 31, 2020 were 66.8% and 65.7% respectively, compared to 67.4% and 66.1% for the same prior year periods. Under purchase accounting, inventory is valued at fair value less expected selling and marketing costs, resulting in reduced margins in future periods as the inventory is sold. Excluding the impact of acquired inventory sold, stock compensation expense, and amortization of intangibles, adjusted gross margins quarter and nine months ended March 31, 2020 were 71.5% and 70.6% , respectively compared to 71.3% and 71.3% for the quarter and nine months ended March 31, 2019, respectively. Both consolidated gross margins and non-GAAP adjusted gross margins were negatively impacted by unfavorable product mix and foreign exchange rates as compared to the prior year.

A reconciliation of the reported consolidated gross margin percentages, adjusted for acquired inventory sold and intangible amortization included in cost of sales, is as follows:

	Quarter Ended March 31,		*Nine Months Ended March 31,*	
	2020	*2019*	*2020*	*2019*
Consolidated gross margin percentage	66.8%	67.4%	65.7%	66.1%
Identified adjustments:				
Costs recognized upon sale of acquired inventory	-	0.5%	-	0.5%
Amortization of intangibles	4.5%	3.4%	4.7%	4.7%
Stock compensation expense - COGS	0.2%	-	0.2%	-
Non-GAAP adjusted gross margin percentage	71.5%	71.3%	70.6%	71.3%

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $1.3 million (2%) and $7.7 million (4%) for the quarter and nine months ended March 31, 2020, respectively, from the same prior year periods. Selling, general, and administrative expense for both the quarter and nine months ended March 31, 2020 was impacted by additional employees to scale our businesses.

Research and Development Expenses

Research and development expenses increased $0.4 million (3%) and $2.3 million (5%), for the quarter and nine month periods ended March 31, 2020, respectively, from the same prior year periods. The increases were driven by recent acquisitions.

Segment Results

Protein Sciences

	Quarter Ended March 31,		*Nine Months Ended March 31,*	
	2020	*2019*	*2020*	*2019*
Net sales (in thousands)	$ 145,509	$ 137,935	$ 428,021	$ 399,787
Operating income margin percentage	44.7%	45.1%	43.3%	44.0%

Protein Science's net sales for the quarter and nine months ended March 31, 2020 were $145.5 million and $428.0 million, respectively, with reported growth of 6% and 7% compared to the same prior year periods. Organic growth for the quarter and nine months ended March 31, 2020 were 6% and 7%, respectively, with acquisitions contributing 1% and currency exchange having an unfavorable impact of 1%. Overall segment growth was driven by strong Bio-Pharma sales in North America and strong overall performance in China, despite dealing with COVID-19 impacts for the majority of the quarter.

The operating margin for the quarter and nine months ended March 31, 2020 were 44.7% and 43.3%, respectively, compared to 45.1% and 44.0% for the same prior year periods. Operating income margin was negatively impacted for both comparative periods by sales mix and the acquisition of B-MoGen in Q4 of FY19.

Diagnostics and Genomics

	Quarter Ended March 31,		*Nine Months Ended March 31,*	
	2020	2019	2020	2019
Net sales (in thousands)	$ 49,411	$ 47,134	$ 135,808	$ 123,144
Operating income margin percentage	14.3%	7.6%	6.6%	4.1%

Diagnostics and Genomics' net sales for the quarter and nine months ended March 31, 2020 were $49.4 million and $135.8 million, respectively, compared to $47.1 million and $123.1 million for the same prior year period. Organic growth for the quarter and nine months ended March 31, 2020 was 5% and 10%, respectively, with currency exchange having an immaterial impact. Overall segment revenue growth was driven by strong growth in our ExoDx Prostate Test, *RNA scope*, hematology, and glucose products lines.

The operating margin for the segment was 14.3% and 6.6% for the quarter and nine months ended March 31, 2020, respectively, compared to 7.6% and 4.1%, respectively, for the quarter and nine months ended March 31, 2019. Operating income margin was favorably impacted in both comparative periods by volume leverage and Medicare reimbursement for our ExoDx Prostate Test.

Income Taxes

Income taxes were at an effective rate of 22.2% and 20.7% of consolidated earnings for the quarter and nine month period ended March 31, 2020, respectively, compared to 10.5% and 10.8% for the same prior year periods. The change in the Company's tax rate for the quarter and nine months ended March 31, 2020 was driven by the composition and amount of net income across periods and the impact of discrete tax items of $1.4 million and $8.1 million, respectively, compared to prior year discrete tax items of $6.2 million and $11.4 million as further discussed in Note 12.

The annual forecasted tax rate as of the third fiscal quarter of 2020 before discrete items is 26.2% compared to the prior year forecasted tax rate before discrete items of 23.6%. Excluding the impact of discrete items, the Company expects the consolidated income tax rate for the remainder of fiscal 2020 to range from 24% to 28%.

Net Earning

Non-GAAP adjusted consolidated net earnings are as follows:

	Quarter Ended March 31,		*Nine Months Ended March 31,*	
	2020	*2019*	*2020*	*2019*
Net earnings	$ 36,432	$ 44,654	$ 170,451	$ 79,612
Identified adjustments:				
Costs recognized upon sale of acquired inventory	-	935	-	2,804
Amortization of acquisition intangibles	15,459	14,400	45,467	43,678
Acquisition related expenses	(228)	100	389	3,263
Stock based compensation, inclusive of employer taxes	8,088	5,725	27,505	24,151
Restructuring	87	-	87	-
Realized (gain)loss on investments and other	(410)	(12,279)	(110,458)	(2,907)
Tax impact of above adjustments	(3,027)	(323)	14,123	(12,683)
Tax impact of discrete tax items	(1,431)	(6,152)	(8,086)	(11,439)
Non-GAAP adjusted net earnings	$ 54,970	$ 47,060	$ 139,478	$ 126,479
Non-GAAP adjusted net earnings growth	16.8%	2.0%	10.3%	4.3%

Depending on the nature of discrete tax items, our reported tax rate may not be consistent on a period to period basis. The Company independently calculates a non-GAAP adjusted tax rate considering the impact of discrete items and jurisdictional mix of the identified non-GAAP adjustments. The following table summarizes the reported GAAP tax rate and the effective Non-GAAP adjusted tax rate for the quarter and nine months ended March 31, 2020 and March 31, 2019.

	Quarter Ended *March 31,*		*Nine Months Ended March 31,*	
	2020	*2019*	*2020*	*2019*
Reported GAAP tax rate	22.2%	10.5%	20.7%	10.8%
Tax rate impact of:				
Identified non-GAAP adjustments	(4.0)%	(2.9)%	(2.8)%	(2.5)%
Discrete tax items	3.1%	12.3%	3.8%	12.8%
Non-GAAP adjusted tax rate	21.3%	19.9%	21.6%	21.1%

The difference between the reported GAAP tax rate and non-GAAP tax rate applied to the identified non-GAAP adjustments for the quarter ended March 31, 2020 is primarily a result of discrete tax items, including the tax benefit of stock option exercises.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2020, cash and cash equivalents and available-for-sale investments were $261.1 million compared to $166.0 million as of June 30, 2019. Included in available-for-sale-investments as of March 31, 2020 was the fair value of the Company's investment in ChemoCentryx, Inc. (CCXI) of $70.2 million. The fair value of the Company's CCXI investment at June 30, 2019 was $38.2 million.

The Company has a line-of-credit and term loan governed by a Credit Agreement dated August 1, 2018. See Note 6 to the Condensed Consolidated Financial Statements for a description of the Credit Agreement.

The Company has contingent consideration payments of up to $325 million, $51 million, and $38 million relating to the Exosome, Quad, and B-MoGen acquisitions. The fair value of the remaining payments is $7.9 million as of March 31, 2020.

Management of the Company expects to be able to meet its cash and working capital requirements for operations, facility expansion, capital additions, and cash dividends for the foreseeable future, and at least the next 12 months, through currently available cash, cash generated from operations, and remaining credit available on its existing revolving line of credit.

Cash Flows From Operating Activities

The Company generated cash of $160.4 million from operating activities in the nine months ended March 31, 2020 compared to $125.7 million in the nine months ended March 31, 2019. The increase from the prior year was primarily due to increases in earnings and timing of cash payments on operating assets and liabilities.

Cash Flows From Investing Activities

We continue to make investments in our business, including capital expenditures. During the nine months ended March 31, 2020, the Company received $78.7 million related to selling a portion of our CCXI shares and $42.1 million from the maturities of certificates of deposit compared to $17.2 million from proceeds from the maturity of certificates of deposit in the nine months ended March 31, 2019. Additionally, the Company did not make any cash payments for acquisitions in the nine months ended March 31, 2020 compared to $272.3 million paid in the nine months ended March 31, 2020 for the Quad and ExosomeDx acquisitions.

Capital expenditures for fixed assets for the nine months ended March 31, 2020 and March 31, 2019 were $34.3 million and $13.7 million, respectively. Capital expenditures for the remainder of fiscal 2020 are expected to be approximately $13 million. Capital expenditures are expected to be financed through currently available funds and cash generated from operating activities.

Cash Flows From Financing Activities

During the nine months ended March 31, 2020 and March 31, 2019, the Company paid cash dividends of $36.6 million and $36.2 million, respectively, to all common shareholders. On April 30, 2020, the Company announced the payment of a $0.32 per share cash dividend, or approximately $12.3 million, will be payable May 22, 2020 to all common shareholders of record on May 11, 2020. During the nine months ended March 31, 2020, the Company repurchased $50.1 million of outstanding common stock.

Cash of $38.5 million and $27.0 million was received during the nine months ended March 31, 2020 and 2019, respectively, from the exercise of stock options.

During the nine months ended March 31, 2020, the Company made payments of $125.4 million towards the balance of its line-of-credit facility and term loan and withdrew $40.0 million on the line-of-credit facility. During the nine months ended March 31, 2019 the Company made payments of $339.0 million towards the balance of its previous line-of-credit facility, borrowed $330.0 million and $250.0 million under its new line-of-credit facility and term loan, respectively. The Company also made payments of $48.0 million and $9.4 million towards the balance of its new line-of-credit facility and term loan, respectively in the nine months ended March 31, 2019.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no reportable off-balance sheet arrangements as defined in Item 303(a)(4) of Regulation S-K.

CONTRACTUAL OBLIGATIONS

Other than the contingent consideration associated with the Exosome, Quad, and B-MoGen and acquisitions, there were no material changes outside the ordinary course of business in the Company's contractual obligations during the quarter or nine months ended March 31, 2020.

CRITICAL ACCOUNTING POLICIES

The Company's significant accounting policies are discussed in the Company's Annual Report on Form 10-K/A for fiscal 2019 and are incorporated herein by reference. The application of certain of these policies requires judgments and estimates that can affect the results of operations and financial position of the Company. Judgments and estimates are used for, but not limited to, valuation of available-for-sale investments, inventory valuation and allowances, valuation of intangible assets and goodwill and valuation of investments in unconsolidated entities. There have been no significant changes in estimates in the quarter or nine months ended March 31, 2020 that would require disclosure nor have there been any changes to the Company's policies.

NON-GAAP FINANCIAL MEASURES

This Quarterly Report on Form 10-Q, including “Management’s Discussion and Analysis of Financial Condition and Results of Operation” in Item 2, contains financial measures that have not been calculated in accordance with accounting principles generally accepted in the U.S. (GAAP). These non-GAAP measures include:

- Organic Growth
- Adjusted gross margin
- Adjusted net earnings
- Adjusted effective tax rate

We provide these measures as additional information regarding our operating results. We use these non-GAAP measures internally to evaluate our performance and in making financial and operational decisions, including with respect to incentive compensation. We believe that our presentation of these measures provides investors with greater transparency with respect to our results of operations and that these measures are useful for period-to-period comparison of results.

Our non-GAAP financial measure of organic growth represents revenue growth excluding revenue from acquisitions within the preceding 12 months as well as the impact of foreign currency. Excluding these measures provides more useful period-to-period comparison of revenue results as it excludes the impact of foreign currency exchange rates, which can vary significantly from period to period, and revenue from acquisitions that would not be included in the comparable prior period

Our non-GAAP financial measures for adjusted gross margin and adjusted net earnings exclude the costs recognized upon the sale of acquired inventory, amortization of acquisition intangibles, and acquisition related expenses, inclusive of changes in the fair value of contingent consideration. The Company excludes amortization of purchased intangible assets and purchase accounting adjustments, including costs recognized upon the sale of acquired inventory and acquisition-related expenses inclusive of the changes in the fair value of contingent consideration, from this measure because they occur as a result of specific events, and are not reflective of our internal investments, the costs of developing, producing, supporting and selling our products, and the other ongoing costs to support our operating structure. Additionally, these amounts can vary significantly from period to period based on current activity.

The Company’s non-GAAP adjusted net earnings also excludes stock-based compensation expense, which is inclusive the employer portion of payroll taxes of those stock awards, restructuring, impairments of equity method investments, gain and losses from investments, other non-recurring assessments and certain adjustments to income tax expense. Stock-based compensation is excluded from non-GAAP adjusted net earnings because of the nature of this charge, specifically the varying available valuation methodologies, subjective assumptions, and the variety of award types. Impairments of equity investments are excluded as they are not part of our day-to-day operating decisions. Additionally, gains and losses from other investments that are either isolated or cannot be expected to occur again with any predictability are excluded. Costs related to restructuring activities and other non-recurring assessments, including reducing overhead and consolidating facilities, are excluded because we believe they are not indicative of our normal operating costs. The Company independently calculates a non-GAAP adjusted tax rate to be applied to the identified non-GAAP adjustments considering the impact of discrete items on these adjustments and the jurisdictional mix of the adjustments. In addition, the tax impact of other discrete and non-recurring charges which impact our reported GAAP tax rate are adjusted from net earnings. We believe these tax items can significantly affect the period-over-period assessment of operating results and not necessarily reflect costs and/or income associated with historical trends and future results.

The Company periodically reassesses the components of our non-GAAP adjustments for changes in how we evaluate our performance, changes in how we make financial and operational decisions, and considers the use of these measures by our competitors and peers to ensure the adjustments are still relevant and meaningful.

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FORWARD LOOKING INFORMATION AND CAUTIONARY STATEMENTS

This quarterly report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include those regarding the Company's expectations as to the effect of changes to accounting policies, the amount of capital expenditures for the remainder of the fiscal year, the source of funding for capital expenditure requirements, the sufficiency of currently available funds for meeting the Company's needs, the impact of fluctuations in foreign currency exchange rates, and expectations regarding gross margin fluctuations, increasing research and development expenses, increasing selling, general and administrative expenses and income tax rates. These statements involve risks and uncertainties that may affect the actual results of operations. The following important factors, among others, have affected and, in the future, could affect the Company's actual results: integration of newly acquired businesses, the introduction and acceptance of new products, general national and international economic conditions, the potential impact of the COVID-19 pandemic, increased competition, the reliance on internal manufacturing and related operations, the impact of currency exchange rate fluctuations, the recruitment and retention of qualified personnel, the impact of governmental regulation, maintenance of intellectual property rights, credit risk and fluctuation in the market value of the Company's investment portfolio, and unseen delays and expenses related to facility construction and improvements. For additional information concerning such factors, see the Company's Annual Report on Form 10-K for fiscal 2019 as filed with the

Securities and Exchange Commission and Part II. Item 1A below.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of March 31, 2020, the Company held an investment in the common stock of CCXI. The investment was included in short-term available-for-sale investments at its fair value of $70.2 million. As of March 31 2020, the potential loss in fair value due to a 10% decrease in the market value of CCXI was $7.0 million.

The Company operates internationally, and thus is subject to potentially adverse movements in foreign currency exchange rates. For the quarter ended March 31, 2020, approximately 44% of consolidated net sales were made in foreign currencies, including 17% in euros, 6% in British pound sterling, 7% in Chinese yuan and the remaining 12% in other currencies. The Company is exposed to market risk mainly from foreign exchange rate fluctuations of the euro, British pound sterling, the Chinese yuan, and the Canadian dollar, as compared to the U.S. dollar, as the financial position and operating results of the Company's foreign operations are translated into U.S. dollars for consolidation.

Month-end average exchange rates between the British pound sterling, euro, Chinese yuan and the Canadian dollar, which have not been weighted for actual sales volume in the applicable months in the periods, to the U.S. dollar were as follows:

	Quarter Ended March 31,		*Nine Months Ended March 31,*	
	2020	*2019*	*2020*	*2019*
Euro	$ 1.10	$ 1.14	$ 1.11	$ 1.15
British pound sterling	1.28	1.30	1.27	1.30
Chinese yuan	0.14	0.15	0.14	0.15
Canadian dollar	0.74	0.75	0.75	0.76

The Company's exposure to foreign exchange rate fluctuations also arises from trade receivables, trade payables and intercompany payables denominated in one currency in the financial statements, but receivable or payable in another currency. The effects of a hypothetical simultaneous 10% appreciation in the U.S. dollar from March 31, 2020 levels against the euro, British pound sterling, Chinese yuan and the Canadian dollar are as follows (in thousands):

Decrease in translation of earnings of foreign subsidiaries (annualized)	$ 2,583
Decrease in translation of net assets of foreign subsidiaries	43,648
Additional transaction losses	(870)

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of disclosure controls and procedures.

The Company maintains disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)). The Company's management has evaluated, with the participation of its Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of its disclosure controls and procedures as of the end of the period covered in this Quarterly Report on Form 10-Q. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of March 31, 2020, our disclosure controls and procedures were effective.

(b) Changes in internal controls over financial reporting.

There were no changes in the Company's internal control over financial reporting during the third quarter of fiscal year 2020 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

As of May 11, 2020, the Company is not a party to any legal proceedings that, individually or in the aggregate, are reasonably expected to have a material adverse effect on the Company's business, results of operations, financial condition or cash flows.

ITEM 1A. RISK FACTORS

Other than additional risks identified below related to the COVID-19 pandemic, there have been no other material changes from the risk factors for the quarter and nine months ended March 31, 2020 found in Part I, Item 1A, "Risk Factors," of the Company's Annual Report on Form 10-K for the year ended June 30, 2019.

We are subject to financial, operating, legal and compliance risk associated with global operations, including global public health crises such as the current COVID-19 pandemic.

We engage in business globally, which subjects us to a number of unpredictable or unexpected risks and factors outside our control, including risks associated with public health crises such as epidemics and pandemics. The current pandemic resulting from a novel strain of coronavirus (COVID-19) that has spread globally has led to disruption and volatility in the global capital markets while increasing overall economic uncertainty. It is likely that the pandemic will cause a significant economic slowdown and possibly a global recession while also adversely impacting access to and the cost of capital markets.

COVID-19 is having, and will continue to have, an adverse impact on our employees, operations, supply chains, and sales and distribution systems, including as a result of impacts associated with protective health measures that we, other businesses and governments are taking. Many employers in our primary locations of business are closing sites and requiring their employees to work from home or not work at all. These site closures have included our customers, which have caused and will continue to cause customers to delay or forego purchases of our products. During the pandemic, we have experienced, and will continue to experience, significant and unpredictable reductions or increases in demand for certain of our products. As the pandemic continues, we will continue to experience a decline in sales activities and customer orders in most of our businesses, and it remains uncertain what impact these declines will have on future sales and customer orders once conditions begin to improve. In addition to existing travel restrictions, countries may continue to close borders, impose prolonged quarantines, and further restrict travel, which may impact our ability to support our sites and customers in the future while also significantly limiting the ability of our products from moving through the supply chain. As a result, given the rapid and evolving nature of the virus, COVID-19 will negatively affect our revenue growth, and it is uncertain how materially COVID-19 will affect our global operations, which generally will become more severe over an extended period of time. Any of these impacts would have an adverse effect on our business, financial condition and results of operations, and at this point, the extent of the impact of COVID-19 remains uncertain.

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ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The Company repurchased 26,000 shares in February at an average share price of $186.99 and repurchased 253,381 shares in March at an average share price of $178.58. In total, the Company purchased 279,381 shares during the third quarter of fiscal 2020 for $50.1 million at an average share price of $179.37. During fiscal 2019, the Company repurchased 95,000 shares for $15.4 million at an average share price of $162.15. As of March 31, 2020, we have authorization of approximately $7 million to purchase additional shares under the Company's previously disclosed share repurchase plan, which grants management the discretion to mitigate the dilutive effect of stock option exercises by authorizing repurchase of shares up to the amount of stock returned to the corporation through stock option exercises subsequent to June 30, 2018.

ITEM 3. DEFAULT ON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

EXHIBIT INDEX
TO
FORM 10-Q

BIO-TECHNE CORPORATION

Exhibit Number	Description
3.1	Amended and Restated Articles of Incorporation of the Company--incorporated by reference to Exhibit 3.1 of the Company's Form 10-Q dated February 9, 2015*
3.2	Third Amended and Restated Bylaws of the Company--incorporated by reference to Exhibit 3.1 of the Company’s Form 8-K dated February 1, 2018*
10.1**	Management Incentive Plan--incorporated by reference to Exhibit 10.13 of the Company's Form 10-K for the year ended June 30, 2013*
10.2**	Second Amended and Restated 2010 Equity Incentive Plan--incorporated by reference to Exhibit 10.1 of the Company's Form 8-K dated October 26, 2017*
10.3**	Form of Restricted Stock Award Agreement for Second Amended and Restated 2010 Equity Incentive Plan--incorporated by reference to Exhibit 10.6 of the Company's Form 8-K dated October 26, 2017*
10.4**	Form of Restricted Stock Unit Award Agreement for Second Amended and Restated 2010 Equity Incentive Plan incorporated by reference to Exhibit 10.4 of the Company’s Form 10-K dated August 28, 2019*
10.5**	Form of the Performance Unit Award Agreement for Second Amended and Restated 2010 Equity Incentive Plan incorporated by reference to Exhibit 10.5 of the Company’s Form 10-K dated August 28, 2019*
10.6**	Form of Incentive Stock Option Agreement for Second Amended and Restated 2010 Equity Incentive Plan-- incorporated by reference to Exhibit 10.6 of the Company’s Form 10-K dated August 28, 201*9
10.7**	Form of Employee Non-Qualified Stock Option Agreement for Second Amended and Restated 2010 Equity Incentive Plan--incorporated by reference to Exhibit 10.7 of the Company’s Form 10-K dated August 28, 2019*
10.8**	Form of Director Non-Qualified Stock Option Agreement for Second Amended and Restated 2010 Equity Incentive Plan--incorporated by reference to Exhibit 10.2 of the Company's Form 8-K dated October 26, 2017*
10.9**	Employment Agreement by and between the Company and Charles Kummeth--incorporated by reference to Exhibit 10.11 of the Company's Form 10-K dated September 7, 2017*

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Exhibit Number	Description
10.10**	Form of Employment Agreement by and between the Company and Executive Officers of the Company other than the CEO--incorporated by reference to Exhibit 10.12 of the Company's Form 10-K dated September 7, 2017*
10.11	Credit Agreement by and among the Company, the Guarantors party thereto, the Lenders party thereto, and BMO Harris Bank N.A., as Administrative Agent, dated August 1, 2018--incorporated by reference to Exhibit 10.1 of the Company's Form 8-K dated August 2, 2018*
10.12**	Form of Indemnification Agreement entered into with each director and executive officer of the Company--incorporated by reference to Exhibit 10.1 of the Company's Form 10-Q dated February 8, 2018*
10.13	Agreement and Plan of Merger by and among the Company, Aero Merger Sub Inc., Advanced Cell Diagnostics, Inc. and Fortis Advisors, LLC as the Securityholders' Representative, dated July 6, 2016--incorporated by reference to Exhibit 2.1 of the Company's Form 8-K dated July 7, 2016*
10.14	Agreement and Plan of Merger between the Company, Enzo Merger Sub. Inc., Exosome Diagnostics, Inc. and The Securityholders Representative, dated July 25, 2018--incorporated by reference to Exhibit 2.1 of the Company's Form 8-K dated June 25, 2018*
10.15**	Form of Amendment No. 1 to Executive Employment Agreement.
21	Subsidiaries of the Company - incorporated by reference to Exhibit 21 of the Company's Form 10-K dated August 28, 2019*
31.1	Certificate of Chief Executive Officer pursuant to section 302 of the Sarbanes Oxley Act of 2002
31.2	Certificate of Chief Financial Officer pursuant to section 302 of the Sarbanes Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to section 906 of the Sarbanes Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to section 906 of the Sarbanes Oxley Act of 2002
101	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter and nine months ended March 31, 2020, formatted in Inline Extensible Business Reporting Language (iXBRL): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Earnings and Comprehensive Income, (iii) the Condensed Consolidated Statements of Cash Flows, and (iv) Notes to the Condensed Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

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* Incorporated by reference; SEC File No. 000-17272
** Management contract or compensatory plan or arrangement

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BIO-TECHNE CORPORATION
(Company)

Date: May 11, 2020

/s/ Charles R. Kummeth
Charles R. Kummeth
Principal Executive Officer

Date: May 11, 2020

/s/ James Hippel
James Hippel
Principal Financial Officer

Exhibit 10.15

AMENDMENT NO. 1
TO EXECUTIVE EMPLOYMENT AGREEMENT

This Amendment No. 1 to [Amended and Restated] Executive Employment Agreement ("Amendment") is made by and between Bio-Techne Corporation ("Bio-Techne") and [ ] ("Executive"), effective [ ], 2020.

RECITALS

WHEREAS, Bio-Techne and Executive are parties to an existing [Amended and Restated] Executive Employment Agreement, dated effective [ ] (the "Employment Agreement");

WHEREAS, Bio-Techne and Executive desire to amend the Employment Agreement as reflected herein.

AGREEMENT

NOW, THEREFORE, the parties agree that the following amendments will be made a part of the Employment Agreement:

1) Amendment of Section 4.1(D). Section 4.1(D) of the Employment Agreement shall be replaced in its entirety with the following text:

"D. By either Party upon [30/90][1] days' advance written notice to the other Party, including by Employee because of Retirement (as defined in Section 5.25). Bio-Techne may in its sole discretion continue to pay Employee his or her base salary and cost of benefits (but not incentive bonus) during the [30/90] day notice period in lieu of requiring Employee to continue to perform his or her duties and responsibilities during such notice period;

2) Amendment of Section 5.1. The first paragraph of Section 5.1 of the Employment Agreement shall be replaced with the following text:

"5.1) Payment Upon Termination. Upon termination of Employee's employment (i) by Bio-Techne under Section 4.1(D), (ii) under Section 4.1(E), (iii) under Section 4.1(F), or (iv) by Employee's resignation for Good Reason, as defined below, Employee will receive the following payments: (x) an amount equal to one (1) year of his or her then-current base annual salary (but not any cash or incentive bonus) and (y) continued payment by Bio-Techne of the employer portion of the premiums for the health and dental insurance coverage Employee was receiving under group health, dental and vision insurance plans as of the Termination Date for one (1) year (the payments in (x) and (y) hereinafter referred to as the "Termination Severance Payments"); provided, however, that Employee shall be entitled to the Termination Severance Payments set forth in this Section 5.1 only if he or she executes within 60 days of termination of employment, does not rescind, and fully complies with a release agreement in a form supplied by Bio-Techne, which will include, but not be limited to, a comprehensive release of claims against Bio-Techne and its directors, officers, employees and all related parties, in their official and individual capacities (the "Release"). Notwithstanding the foregoing, if Bio-Techne determines, in its sole discretion, that payment of the COBRA premiums under this Section 5.1 would result in a violation of the nondiscrimination rules of Section 105(h)(2) of the Internal Revenue Code or any statute or regulation of similar effect, then in lieu of paying the COBRA premiums, Bio-Techne may instead elect to pay Employee on the first day of each month, a fully taxable cash payment equal to the employer portion of the COBRA premiums for that month, subject to applicable tax withholdings (the "Special Severance Payment"), for each remaining month during which Employee is entitled to receive payment of COBRA premiums under this Section 5.1. Employee may, but will not be obligated to, use the Special Severance Payment toward the cost of COBRA premiums."

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[1] Note: CEO Agreement requires 90 days' notice; other executives require 30 days.

3) Amendment of Section 5.2. The text of Section 5.2 of the Employment Agreement is amended so that the definition of “Change of Control” is revised to define the term “Change in Control.”

4) Insertion of New Section 5.25. The following text shall be inserted as a new section immediately following Section 5.2 of the Employment Agreement:

> “5.25) Change in Control Following Retirement. If there is a Change in Control following the termination of Employee’s employment by Employee as a result of Retirement, the vesting requirements of any unvested portion of any equity grants to Employee that have not expired, terminated, or been forfeited by their terms shall be automatically accelerated upon consummation of such Change in Control. For purposes of this Agreement, “Retirement” means termination of employment by Employee for any reason on or after Employee reached the age of 55 and has completed at least 5 years of continuous service with Bio-Techne or any affiliate; provided, however, that Employee shall be credited with continuous service only for periods during which Employee regularly works 20 or more hours per week. The terms of this Section 5.25 will survive the termination of this Agreement.”

5) Amendment of Section 5.4. Section 5.4 of the Employment Agreement shall be replaced in its entirety with the following text:

> “5.4 No Other Payments. Except as provided in Section 5.1, 5.2, and 5.25, Employee will not be entitled to any compensation or benefits other than that which was due to him or her as of the date of termination, regardless of any claim by Employee for compensation, salary, bonus, severance benefits or other payments.”

6) No Additional Amendments. Except as set forth herein, the Employment Agreement will remain in full force and effect without modification.

7) Counterparts. This Amendment may be executed in one or more counterparts, each of which will be deemed to be an original of this Amendment and all of which, when taken together, will be deemed to constitute one and the same agreement. Electronically transmitted (e.g., by facsimile or pdf) signed copies of this Amendment shall be deemed to be original signed versions of this Amendment.

[*Signature Page Follows*]

THE PARTIES HAVE executed this Amendment in the manner appropriate to each as of the dates set forth below.

BIO-TECHNE CORPORATION

By ______________________________ ______________________________
Its Date

EMPLOYEE

______________________________ ______________________________
[ ] Date

Exhibit 31.1

CERTIFICATION

I, Charles R. Kummeth, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bio-Techne 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 officers 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 Rule 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 designed 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 is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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 by 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 the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies and material weaknesses in the design or operation of internal control 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 the registrant's internal control over financial reporting.

Date: May 11, 2020

/s/ Charles R. Kummeth
Charles R. Kummeth
Principal Executive Officer

Exhibit 31.2

CERTIFICATION

I, James Hippel, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bio-Techne 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 officers 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 Rule 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 designed 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 is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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 by 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 the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies and material weaknesses in the design or operation of internal control 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 the registrant's internal control over financial reporting.

Date: May 11, 2020

/s/ James Hippel
James Hippel
Principal Financial Officer

Exhibit 32.1

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 the Quarterly Report of Bio-Techne Corporation (the "Company") On Form 10-Q for the quarter ended March 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Charles R. Kummeth, Principle Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15 (d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Charles R. Kummeth
Charles R. Kummeth
Principal Executive Officer
May 11, 2020

Exhibit 32.2

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 the Quarterly Report of Bio-Techne Corporation (the "Company") On Form 10-Q for the quarter ended March 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James Hippel, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15 (d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ James Hippel
James Hippel
Principal Financial Officer
May 11, 2020