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Q3 2024 Donaldson Company Inc Earnings Call

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PRESENTATION

Operator

Thank you for standing by and welcome to the Donaldson Company third-quarter 2024 earnings conference call. (Operator instructions)

Thank you. I'd now like to turn the call over to Sarika Dhadwal, Senior Director of Investor Relations and ESG. You may begin.

Sarika Dhadwal ***Donaldson Company Inc - Investor Relations***

Good morning. Thank you for joining Donaldson's third-quarter fiscal 2024 earnings conference call. With me today are Tod Carpenter, Chairman, CEO and President; and Scott Robinson, Chief Financial officer. This morning, Tod and Scott will provide a summary of our third-quarter performance and details on our outlook for fiscal 2024.

During today's call, we will discuss non-GAAP or adjusted results. Well, there were no non-GAAP adjustments in the third quarter of either fiscal 2024 or 2023, for the full year fiscal 2023, non-GAAP results exclude pretax restructuring and other charges of $21.8 million. A reconciliation of GAAP to non-GAAP metrics is provided within the schedules attached to this morning's press release. Additionally, please keep in mind that any forward-looking statements made during this call are subject to risks and uncertainties which are described in our press release and SEC filings.

With that, I'll now turn the call over to Tod Carpenter. Please go ahead.

Tod Carpenter ***Donaldson Company Inc - Chairman of the Board, President, Chief Executive Officer***

Thanks, Sarika. Good morning.

Donaldson Company's third-quarter results were excellent. Sales increased 6% to a record $928 million. EPS increased 22% to a record $0.92 and operating margin was at more than a decade long high. All three operating segments demonstrated growth and profitability.

In mobile solutions, volume growth exceeded pricing gains, driven by strength in our aftermarket business. We continued to benefit from market share gains as well as a return to more normalized demand level after destocking in the prior year period. Profitability in mobile solutions continues to be exceptional. Pretax profit margin hit an all-time high of 18.4%. This 340-basis point improvement over prior year was a result of favorable mix, volume growth, and pricing.

In industrial solutions, sales strength and high levels of profitability continued, driven by project wins and market share gains in dust collection and power generation. Aerospace and defense also had a strong quarter, and backlogs remain robust. We maintain focus on advancing our create, connect, replace, and service model.

This quarter, we acquired [EZFlow], filtration, industrial services business in LaGrange, Georgia. EZFlow brings to Donaldson additional service capabilities in both hydraulic and power generation filtration and a new geographic presence in the southeast United States.

In life sciences, we achieved sales growth above 20% and profitability through strength in our bio processing and disk drive businesses. We also continued to build for the future. In April, we entered into an agreement to acquire a 49% stake in Medica S.p.A., a leader in

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hollow fiber membrane technology based in Medolla, Italy. This transaction is expected to be completed through a public tender offer and includes a call option to acquire the remaining 51% stake of the company in the years to come.

Donaldson and Medica have a previously established relationship through an exclusive joint development agreement, allowing for the development and commercialization of hollow fiber modules in life sciences applications, including bioprocessing in food and beverage. These modules can be used with Solaris, Univercells Technologies, and Isolere products, demonstrating our vision and progress toward providing customers with a complete and differentiated product portfolio.

From an operational standpoint, backlogs across all three segments remained strong, indicating the overall health of our businesses for the foreseeable future. With supply chain conditions mostly supportive, Donaldson's customer focus remains steadfast as we continually work to improve on-time delivery rates. This quarter, R&D, capital expenditures, and M&A activity continued as we invested to meet the future needs of our customers. R&D included product development initiatives in our legacy and newly acquired businesses, and we expect to grow our investment levels double digits for the full year. Capital expenditures were primarily focused on increasing capacity and expanding new products and technology, including in our life sciences segment. In keeping with our M&A strategic focus areas, we also deployed capital on the previously mentioned industrial services acquisition, EZFlow.

Now I will provide some detail on third quarter sales. Total company sales were $928 million, up 6% compared with prior year. Pricing contributed approximately 2%. In mobile solutions, total sales were $585 million, a 6% increase versus 2023. Mobile aftermarket sales grew 11% year over year to $445 million. Independent channel sales grew mid-single digits from market share gains and OE channel sales were up mid-teens as demand returned to more normalized levels following destocking in the prior year period.

Partially offsetting the strong aftermarket performance were declines in the first-fit businesses, sales in on-road were $36 million, down 6% due to lower levels of equipment production, particularly in APAC. Off-road sales of $104 million, declined 10% as agriculture markets remain soft and business in China continues to be weak.

To that end, I will touch on our mobile solutions business in China in aggregate where sales decreased 32% over prior year. Both first-fit and aftermarket sales decline impacted by weak overall demand and the timing of Chinese New Year, which fell into the third quarter this year versus the second quarter a year ago, resulting in fewer ship days this year. Despite the challenging nature of the China market today, we remain optimistic with respect to the long-term market growth opportunities and our ability to gain share there over time.

Now move on to the industrial solutions segment. Industrial sales increased 3% to $269 million. Industrial filtration solutions or IFS sales grew 2% to $229 million due to strong dust collection replacement parts sales and power generation content timing. Aerospace and defense sales rose 6% to $41 million, driven by robust aerospace end-market conditions.

In the life sciences segment, sales were $74 million, up 24% year over year as a result of bioprocessing equipment and disk drive strength. Acquisitions added approximately $10 million or 15 percentage points of sales growth due in large part to the timing of project shipments.

In summary, I am proud of what the Donaldson team accomplished this quarter, driven by the strong results and our outlook for the fourth quarter we are increasing our full year earnings guidance, which Scott will detail. Fiscal 2024 is forecasted to be a year of record sales, record operating margins, and record earnings.

Now, I'll turn it over to Scott, who will provide more details on the financial.

Scott?

Scott Robinson ***Donaldson Company Inc - Chief Financial Officer***

Thanks, Tod. Good morning, everyone.

I want to thank our entire Donaldson team for their fantastic work this quarter. Without them, we would not have been able to deliver

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such a strong performance, and I am confident in our collective ability to drive continued success in the future.

Before discussing our outlook for fiscal 2024, I will give additional details on the results for the third quarter. Sales increased 6% versus 2023, operating income increased 16%, and EPS of $0.92 was up 22% year over year. Gross margin of 35.6%, expanded 260 basis points above prior year from leverage on higher sales, pricing, and select input cost deflation.

Operating expenses as a percent of sales were 20.1% versus 18.8% a year ago. Expense deleveraging was largely due to higher people-related costs, partially as a result of increased headcount. Acquisition-related expenses also contributed. Operating margin was 15.5%, 130 basis points above 2023, driven by gross margin expansion, partially offset by operating expense deleverage. As I always say, we are committed to higher levels of profitability on higher levels of sales, and we clearly delivered that this quarter.

Now I'll discuss segment profitability. As Todd mentioned, mobile solutions, pretax profit margin was a record of 18.4%, 340 basis points above prior year, resulting from favorable mix, volume growth, and pricing benefits.

industrial solutions pretax profit margin was 18.7%, approximately flat versus prior year. We are pleased with the high levels of profitability the industrial business has been delivering and look forward to growing this business which will increase blended margins for the company.

Our life sciences business generated a pretax profit margin of approximately 1%, including a headwind from acquisitions of 16 percentage points. We are encouraged by our improved performance in the quarter. However, we are tracking below previous expectations and now expect full year profit margins to be down low single digits.

The nature of our acquisition related revenue brings with it some timing uncertainty. This layer on top of ongoing investments to support scaling has delayed our full year projected profitability inflection point. That said, our confidence in the longer-term sales growth and profitability potential of our life science business has not wavered.

Given the year-to-date trend we have been seeing in all three segments with two of three tracking ahead of expectations, we are evaluating our longer-term financial targets, and we'll provide an update with our fiscal 2025 guidance during the fourth quarter call.

Turning to a few balance sheet and cash flow statement highlights. Third quarter capital expenditures were approximately $21 million and cash conversion in the quarter was 106% on par with prior year, driven by our continued focus on working capital efficiency.

In terms of other capital deployment, we returned approximately $57 million to shareholders, inclusive of $30 million in the form of dividends and $27 million in share repurchases. We also invested $2 million on the EZFlow acquisition. We ended the quarter with a net debt to EBITDA ratio of 0.5 times.

Now moving to our fiscal '24 outlook. First on sales, we are narrowing our full year total sales guidance to an increase of between 4% and 6%, consistent with our prior forecast. This includes a pricing benefit of approximately 2% and a minimal impact from currency translation.

For mobile solutions, we are forecasting an increase of between 2% and 4%, unchanged from our previous expectation. Off-road sales remain projected to be down low-double digits as global agriculture markets in China remain weak. On-road markets have continued to soften, driving a reduction in our forecast to negative low-single digits versus flat previously.

Our outlook for aftermarket continues to be mid-single digit growth as a result of market share gains and the lapping of destocking in the prior year period. Industrial solutions sales are expected to increase between 6% and 8% with a midpoint of 7%, up from our previous guidance range, which carried a midpoint of 5%. IFS sales, driven by strength in dust collection and power generation, are forecast to grow mid-single digits in line with our prior expectations. Our outlook for aerospace and defense has improved, and we now expect sales to grow low-double digits, up from mid-single digits previously, as robust end market conditions continue.

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For life sciences, we are reducing our sales guidance for the full year to a mid-teens increase compared with the approximate 20% growth previously forecast. We are pleased with and encouraged by the interest in our bioprocessing technologies and product portfolio; however, capital remains constricted in many biopharmaceutical markets, particularly for our research and early-stage assets. While we navigate the current challenging macro conditions, we remain focused on building out our technology and capabilities and laying the groundwork for future success. In the near term, we expect ongoing momentum in businesses such as disk drive, food and beverage, and vehicle electrification.

With respect to consolidated operating margin, we are reaffirming our previous guidance of 15.0% to 15.4% which is an all-time record, compared with an adjusted operating margin of 14.6% a year ago. At the midpoint, this approximately 60 basis point year-over-year improvement, is driven by gross margin expansion, partially offset by expense deleveraging as we maintain our commitment to investing for future profitable growth.

We are adjusting our outlook for interest, other income, and tax. Interest is expected to be approximately $22 million, down slightly from $23 million previously. Other income is projected between $15 million and $17 million, up from prior guidance of $10 million to $12 million due to better-than-expected joint venture income and FX benefit.

Our tax rate is forecast between 23% and 24%, down 100 basis points from prior guidance. For EPS, we are increasing our outlook to between $3.33 and $3.39, a $0.32 or 11% increase at the midpoint from adjusted EPS of $3.04 in fiscal 2023. With three quarters of year behind us, we are pleased with our performance and better positioned than ever to deliver to our stakeholders in fiscal 2024 and beyond.

Now onto our balance sheet and cash flow outlook. Cash conversion is forecast above historical averages at 95% to 105% for the full year. Capital expenditures weighted towards growth investments, including capacity and new products and technologies, are projected between $90 million to $105 million down slightly from the previous $95 million to $110 million range.

Capital deployment is vital for Donaldson, and our strategy is unchanged. First, we are focused on reinvesting back into the company, either organically or inorganically through M&A as we continue to demonstrate. We also look to return value to shareholders through our dividends and share repurchases. Last week, we announced an 8% increase in our quarterly cash dividend, and we intend to repurchase approximately 2% of our shares outstanding this fiscal year.

Now, I'll turn the call back to Tod.

Tod Carpenter ***Donaldson Company Inc - Chairman of the Board, President, Chief Executive Officer***

Thanks, Scott.

I am more confident than ever in the Donaldson's team, our long-term strategy, technology pipeline, and ongoing investment. We are committed to working toward our Investors Day targets, both our fiscal 2026 financial objectives as well as our 2030 ESG ambition.

During the quarter, we published our fiscal 2023 sustainability report, which can be accessed on our website or via the QR code within our earnings slide presentation. The report highlights our sustainability strategy, which is underpinned by creating sustainable value through our products, fostering a safe and diverse environment for our people, and operating sustainably with a focus on our planet. I'll touch on a few recent highlights in these areas.

Products, we are proud of our innovative technology and development capabilities in life sciences. In May, we announced our partnership with PolyPeptide Group to improve sustainability in the manufacturing of peptides, which are active pharmaceutical ingredients used in various medical therapies. Our collaboration on the development of a production scale, solvent recovery system, marked a milestone in the pharmaceutical industry's pursuit of environmentally friendly manufacturing processes.

Donaldson is also creating sustainable values through our life changing technologies. We are currently supporting over 140 therapies, including 50 proof of concept and 90 drug development programs where our technologies are utilized by customers to trial, develop, and scaled processes crucial for advancing cell and gene therapies and RNA and traditional vaccines. Many of these programs are

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currently in the preclinical stage. However, we do have some that are in clinical trials and a few that are likely to enter commercial production this calendar year. Importantly, these include customers that originated both organically and via our Univercells, Purilogics, and Isolere acquisitions, demonstrating the power of our M&A strategy.

Now on our people and our planet. We have made notable progress toward our 2030 people and planet ambitions, including promoting safety and diversity and operating sustainably. Many of our achievements are documented in our sustainability report and much of our work has been publicly recognized. For 2024, Donaldson is included in the US News & World Report Best Companies to Work For and Newsweek's list of greatest Workplaces for Diversity and America's Most Responsible Companies.

To close, I am proud of this team and the work we are doing and want to thank all of our valued Donaldson employees.

With that, I will now turn the call back to the operator to open the line for questions.

QUESTIONS AND ANSWERS

Operator

(Operator instructions)

Angel Castillo, Morgan Stanley.

Angel Castillo ***Morgan Stanley - Analyst***

Just wanted to touch base a little bit more on the view for the full year outlook on operating margin, strong performance year, and you talked about just a continuation of that. So just curious if you could just unpack a little bit more on the views on operating margin, why not raise that for the full year and just the inputs here for the fourth quarter?

Scott Robinson ***Donaldson Company Inc - Chief Financial Officer***

Yeah, good morning. This is Scott.

So I mean, we're pleased with the excellent quarter that we delivered. Operating margin in the quarter was 15.5%, that's 130 basis points improvement with the midpoint of the guide at 15.2%. If you did the math, you'd see we expect another increase in the fourth quarter in our operating margin sequentially and over the prior year by quite a significant number, so we feel pretty good about our -- at the midpoint 60-basis point operating margin improvement guided for this year, strong performance, and we decided to expect the previously contemplated improvements in the fourth quarter to come through. So we feel pretty good about where we sit and that's where we left the guidance.

Angel Castillo ***Morgan Stanley - Analyst***

That's helpful. Thank you.

And then can you unpack a little bit more on life sciences. I think as I recall after fiscal 2Q there is a number of factors that give you confidence there and 20%-plus, so sounds like some of those maybe timing or some of those investments may have changed. So just can you help us understand what's changed and has that just potentially gotten pushed out to fiscal '25? Or are there other factors at play in terms of expectations here?

Tod Carpenter ***Donaldson Company Inc - Chairman of the Board, President, Chief Executive Officer***

Sure. As we went into the quarter, we had the backlog to be able to support our previous guide. That was clear. What was interesting is we were able to get some of those products that we have been previously talking about in quarters, the lumpiness of that we were able to deliver some of that. Some of that actually has pushed a little bit more than our expectation. And then also, as you look at the bioprocessing side, a little bit more carefulness on the incoming orders is what we experienced within the quarter. So overall, a little bit more movement than we would have expected is really the reason for the change.

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Operator

Laurence Alexander, Jefferies.

Dan Rizzo *Jefferies LLC - Analyst*

Hi, this is Dan Rizzo on for Laurence. Thank you for taking my question.

I was just wondering, given the growth outlook, how we should think about CapEx over the next two to three years? I mean, should it continue at this rate are we coming to the -- to the I mean to the large investment cycle? Or is it going to accelerate just thinking longer term?

Scott Robinson *Donaldson Company Inc - Chief Financial Officer*

I mean -- this is Scott. Good morning.

On our Investor Day meeting, we said we expect that all contemplated CapEx to be able to be completed at a maximum rate of 3.5% for sales. We still expect that to be the case. I think our industrial solutions and mobile solutions business are very well capitalized and really performing well and have a great level of invested capital for the future that they can see. We do expect to continue to invest in life sciences with some of the great opportunities that we have in front of us. But we expect to be able to do that within that original guide of 3.5% of revenues at most.

Dan Rizzo *Jefferies LLC - Analyst*

That's really helpful.

And then in terms of pricing, given where we are, I mean the environment we're in, but are we moving more back towards a more historic environment, whether there'll be some pricing, but with cost -- input costs in check, it's -- it will be, I don't know. I guess more modest going forward. Same thing with costs, I guess in overall.

Tod Carpenter *Donaldson Company Inc - Chairman of the Board, President, Chief Executive Officer*

So when you take a look at our pricing behaviors now we have definitely returned back to a more normal pricing behavior and a normal cadence across the company and across the entirety of our business portfolio for sure.

I do, though, want to point out that a lot of people talk about what's happening in the raw materials base market but overall, while some of the inflation has abated on a selective base economy -- selective basis material or commodity, it's not across the full ramifications of cost to our company. When you look at some of the commodities are still feeling some headwinds. You've got freight with headwinds.

Certainly, we have labor headwinds. So it's still a mixed environment, really supporting a more -- really, a more careful approach to pricing. But pricing actions within our company are certainly not experiencing the headwinds that may be advertising the markets.

Operator

Nathan Jones, Stifel.

Adam Farley *Stifel, Nicolaus & Company, Incorporated - Analyst*

This is Adam Farley on for Nathan.

I wanted to start with operating expenses. What should we expect from operating expenses in the short to medium term? Are the life science businesses structurally higher SG&A? Or should that also be able to leverage these expenses back into the high teens?

Tod Carpenter *Donaldson Company Inc - Chairman of the Board, President, Chief Executive Officer*

Yeah. So when you take a look at what we're doing, right, and you just ground that to our Investor Day targets. Mobile is above Investor Day targets, industrial is above Investor Day targets, and we're building our business out into the life sciences side. So as we continue to invest to build our life sciences surely, we have those increases that you're seeing. We would expect to continue our investment levels in

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life sciences and where we see opportunity, we'll press those even harder.

And so that will in the short time, keep that a bit elevated. But over time, as that business continues to build, certainly we would see that renormalize back into our company averages and in fact, potentially given the hockey stick nature of some of those investments that we have, could actually drive the company a bit lower than a high teens number that is typically referenced.

Adam Farley ***Stifel, Nicolaus & Company, Incorporated - Analyst***

Okay. That's helpful.

And then I wanted to touch on disk drives. 2023 was a softer market. You saw soft end markets and inventory corrections. Is the business back to a more normalized level of revenue today? Or do you expect some more challenges there?

Tod Carpenter ***Donaldson Company Inc - Chairman of the Board, President, Chief Executive Officer***

Yeah, it's certainly back to a more normalized level as far as a little bit increasing. So it is stepping forward. It's actually growing -- certainly the bottom is behind us. We're hiring people again in our disk drive manufacturing plants. The customers' expectations are ramping up certainly, so that reset is behind us and now we fully expect to walk forward a little bit on that business.

Operator

Brian Drab, William Blair.

Unidentified Participant

Hey, good morning. This is Tyler on for Brian. Appreciate you guys taking my questions. I was just wondering if you could elaborate more on what -- about the reduction in the on-road guidance, what markets are particularly softening?

Tod Carpenter ***Donaldson Company Inc - Chairman of the Board, President, Chief Executive Officer***

Well, within on-road, it's long-haul trucks, right? So and particularly, it would be just a slight softening within the US base type of vehicle manufacturing markets is really where that's focused, but just slightly -- there's still at pretty high levels.

Okay. (multiple speakers) the other place (multiple speakers) the other place in the on-road, I guess where we have a little bit of headwinds would be China because that's a program that fits and starts there.

Unidentified Participant

Makes sense. And just to follow up, can you just summarize the near-term revenue ops in bioprocessing? Like what -- just remind us of what exactly is going to market first and the timeline of all those products?

Tod Carpenter ***Donaldson Company Inc - Chairman of the Board, President, Chief Executive Officer***

Yeah, sure. So there's some quite a broad-based portfolio within that business sector, if you will, within that vertical. You have our disk drive-base businesses, but you also had food and beverage and we continue to expect growth out of our food and beverage-base business. We're pressing that really quite nicely, and we would expect that to grow. We have vehicle electrification in there. Those two businesses and some of the technology that branches across, those businesses also go within our -- some of our medical-based applications. That's where we use some of the same polymer-based manufacturing techniques. And therefore, that's why it's within that particular vertical.

But it gives us a broad portfolio of opportunity to really be able to rise. But vehicle electrification is positive. The headwinds are more within the bioprocessing sector. So our Univercells Technologies, our Isolere Bio, which is pre-revenue, and our Purilogics, which is pre-revenue. Those investments continue to as we ramp those up continue to give us a little bit of headwind.

Unidentified Participant

Okay. Just to confirm the Univercells is the only one driving revenue right now within bioprocessing?

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Tod Carpenter ***Donaldson Company Inc - Chairman of the Board, President, Chief Executive Officer***

Of the acquisitions, Univercells is driving revenue, yes. Isolere and Purilogics have some lab support-based revenue, but it's very, very small as we continue to populate laboratories in support of the therapy-based programs that we referenced within script.

Operator

(Operator instructions)

Rob Mason, Baird.

Rob Mason ***Robert W. Baird & Co. Incorporated - Analyst***

It's good to hear about the commentary around continued share gains in the mobile aftermarket part of the business. I was curious, though, if those are layering in, is that distorting your normal seasonality in that business? And the reason I ask is you guided or kept the guidance for that part of the business at mid-single digit for the full year but just given what typical fourth quarter seasonality looks like it would normally be up and that's not -- that's not really evident in the mid-single digits or is that just conservatism on the outlook or is there some dynamics just as the share gains are layering in?

Tod Carpenter ***Donaldson Company Inc - Chairman of the Board, President, Chief Executive Officer***

Yeah, great question. Thanks, Rob.

So let me break some things down for you. So when you look at our mobile aftermarket, certainly we had a nice quarter, up 11%. Let me break that down into OE. So OE was up mid-teens, right? And then the independent channel was up high-single digits. And so where you really see the seasonality when you go back to comp, the old OE side is in the OE side, up the teens, okay.

But you had some easy comps from last year, we've now returned that business back to where it was three destocking. And so you see the pull-through coming through now on that business as its returned, which is really a surefire sign is the seasonality we would typically see. And as you know from following the company for so long, that really is why our model is more of a 48% in the first half of the year and 52% in the second half. So we are seeing that seasonality to support that 52% company revenue in the second half. It's just that I can understand why it may not be quite so obvious, but specifically in that OE aftermarket channel, we are definitely seeing it. And then on the independent channel, it's clearly share gain.

Rob Mason ***Robert W. Baird & Co. Incorporated - Analyst***

Yeah, just on mobile again, the profitability there continues to come through really strongly I guess at a pretax level. To what degree is the JV income influencing that? Or is it influencing that to support such high incremental and how sustainable would you think the JV income, if that's a contributor, would be.

Tod Carpenter ***Donaldson Company Inc - Chairman of the Board, President, Chief Executive Officer***

It's not really appreciable in its contribution, to be honest. And -- but where it certainly is we would expect it to be sustainable. Our JVs now as a result of the volume increases that we've experienced are functioning much better than they were within the model of a couple of years ago for sure, but it's not really the story.

Rob Mason ***Robert W. Baird & Co. Incorporated - Analyst***

Okay. And just a question on the IFS business. How is the incoming quotes on the equipment side? You commented on the aftermarket piece being healthy. I'm just curious what you're seeing on coating on the equipment side and how that could play into the balance of the year relative to backlog as well?

Tod Carpenter ***Donaldson Company Inc - Chairman of the Board, President, Chief Executive Officer***

About the same as we were last quarter, so I would say it's slightly elongated. So it just ever so slightly like by a month or so. So if you go back to normal quote to order thing it would be measured in say, 6 to 8 weeks, maybe 4 to 8 weeks. And now it might be 6 to 10 weeks thing.

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So it all feels just a little bit more careful. And -- but you're still seeing large projects and multimillion-dollar projects within dust collection. So you've got capacity expansion, et cetera. And for us, you still have strong overall plant usage because our aftermarket business continues to gain share and grow. But overall, the business is comfortable and really much as it was at the end of second.

Rob Mason ***Robert W. Baird & Co. Incorporated - Analyst***

I see. Just last question, if I could.

The Medica stake that you're acquiring is pretty interesting getting access to that hollow fiber membrane technology. Just -- you commented on some joint development work that has already been ongoing there. What's the current status of that? And what would be the outlook for revenue contribution coming from that particular relationship?

Tod Carpenter ***Donaldson Company Inc - Chairman of the Board, President, Chief Executive Officer***

Sure, so what we are developing with Medica and have been for a number of quarters already is tangential flow filtration for bioprocessing to support our overall bioprocessing strategy. It is going to take us some time to develop and get those products released. I would certainly not expect any revenue this year. We do have to go through an approval process of being able to utilize those particular products, but certainly, sometime next fiscal year, late next fiscal year, it would likely see revenue.

The overall filters that we're doing go into land-based applications, bioreactor productions, cell-culture type of expansion processes all within bioprocessing and really help to improve yields within those processes. So it's a fundamental filtration technology that Donaldson Company does not have in its portfolio today, so we're really excited about what it brings to the corporation (technical difficulty)--

Operator

And that concludes our question-and-answer session. I will now turn the call back over to President and CEO, Tod Carpenter, for closing remarks.

Tod Carpenter ***Donaldson Company Inc - Chairman of the Board, President, Chief Executive Officer***

That concludes the call today. Thanks to everyone who participated, and I look forward to reporting our fourth quarter fiscal 2024 results in August.

Have a great day. Goodbye.

Operator

This concludes today's conference call. Thank you for your participation. You may now disconnect.

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