

Perrigo Company Reports Fiscal 2000 and Fourth Quarter Results

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The Perrigo Company (NASDAQ: PRGO) today reported results for the fiscal year and fourth quarter ended July 1, 2000.

On a proforma basis, which reflects only the ongoing over-the-counter (OTC) pharmaceutical and nutritional businesses, fiscal year sales rose five percent to \$720.8 million from \$687.2 million last year. Net sales were \$877.6 million a year ago including the personal care business, which was divested in fiscal 2000's first quarter. Net income totaled \$19.3 million, or \$.26 per share, compared with net income including personal care of \$1.5 million, or \$.02 per share, last year. Fiscal 1999 results were affected by the conversion to an enterprise resource planning system, outsourcing costs to meet service requirements, a write-down of an investment in a Russian subsidiary and a number of one-time charges partially offset by a gain from an insurance reimbursement.

Commenting on fourth quarter and full-year results, Perrigo's newly appointed President and CEO, David T. Gibbons, stated, "During the fourth quarter we continued our efforts to reduce working capital and completed a review of our inventory requirements. Throughout the past year, we have worked to reduce inventories built since the conversion to a new computer system that took place in fiscal 1999. Additional inventory write-offs and an inventory valuation adjustment were also made in the current quarter, resulting in a negative impact on gross margin. Similarly, gross margin for the full year was impacted by higher-than-normal inventory obsolescence expenses and below normal production levels.

"The further reduction in receivables and inventory in the quarter again resulted in an improvement in the balance sheet as working capital continued to decline and operating cash flow helped us eliminate the balance of our long-term debt. I am pleased with the debt reduction, the strengthened balance sheet and the resulting financial flexibility we now have. We will focus on our total commitment to quality, meeting customers' service needs and expectations, driving down costs and seeking opportunities for growth through innovation in both our products and business processes. I am confident Perrigo will continue the progress made in fiscal 2000 toward further profitable growth."

On a proforma basis, fourth quarter sales were \$150.4 million, an increase of \$9.5 million, or seven percent over last year's \$140.9 million. Including the results of the personal care business, net sales last year were \$187.7 million. A net loss of \$8.1 million, or \$.11 per share for the quarter, included several one-time charges and additional expenses related to the disposition of inventory. The Company had previously indicated that these expenses would result in a loss of \$.07 - \$.10 per share. In the same period last year, Perrigo reported a net loss of \$2.9 million, or \$.04 per share, which also included a number of one-time charges.

Douglas R. Schrank, Executive Vice President and Chief Financial Officer, noted, "In the fourth quarter, we took a number of charges related to inventory write-offs and valuation."

The Company noted that the fourth quarter results included the following:

-- A \$5.5 million pre-tax adjustment (\$3.6 million after-tax) to the valuation of inventories.

-- A \$3.0 million pre-tax charge (\$2.0 million after-tax) for inventory produced in the quarter.

-- A \$2.0 million pre-tax charge (\$1.3 million after-tax) to increase inventory obsolescence reserves.

-- A \$1.8 million pre-tax charge (\$1.2 million after-tax) related to the write-down of licensing fees.

Commenting further, Mr. Schrank said, "Despite a proforma sales gain, gross margin was down substantially in the quarter. In addition to the aforementioned charges, we were negatively impacted by higher production costs as a result of the inventory decline. We also recorded a \$1 million pre-tax restructuring charge to reflect the current value of an asset held for sale. These charges were partially offset by a \$4.2 million pre-tax gain resulting from a civil lawsuit settlement.

"Gross profit for the year declined as we absorbed higher-than-normal inventory obsolescence expense and were negatively impacted by lower production levels and increased regulatory compliance costs.

"Our balance sheet improvement continued and at year-end working capital was \$155 million, a decline of \$94 million from a year-ago. Inventories declined \$71 million to \$127 million at year-end. Our strong operating cash flow and working capital reductions allowed us to pay down \$135 million in debt, the total amount outstanding at the beginning of the year."

Perrigo Company is the nation's largest manufacturer of over-the-counter (non-prescription) pharmaceutical and nutritional products for the store brand market. Store brand products are sold by national and regional supermarket, drugstore and mass merchandise chains under their own labels and compete with nationally advertised brands. The Company's products include over-the-counter pharmaceuticals, such as analgesics, cough and cold remedies, antacids, laxatives, feminine hygiene and smoking cessation products, and nutritional products, such as vitamins, nutritional supplements and nutritional drinks. Visit Perrigo on the Internet at <http://www.perrigo.com/> .

Note: Certain statements in this press release are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended and are subject to the safe harbor created thereby. Please refer to pages 25-29 of the Company's Form 10-K for the year ended July 3, 1999 for a discussion of certain important factors that relate to forward- looking statements contained in this press release. Although the Company believes that the expectations reflected in any such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct.

PERRIGO COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)
(Unaudited)

	Fourth Quarter		Year-To-Date	
	July 1, 2000	July 3, 1999	July 1, 2000	July 3, 1999
Net sales	\$150,450	\$187,742	\$738,555	\$877,587
Cost of sales	130,645	149,511	583,314	691,893
Gross profit	19,805	38,231	155,241	185,694

Operating expenses

Distribution	4,253	6,588	16,878	32,964
Research and development	6,122	3,885	16,314	14,867
Selling and administrative	23,886	27,240	89,676	117,623
Restructuring and redesign	1,048	6,160	1,048	6,160
Unusual litigation	(4,154)	(7,580)	(4,154)	(3,952)
	31,155	36,293	119,762	167,662
Operating (loss) income	(11,350)	1,938	35,479	18,032
Interest and other expense	472	4,980	4,994	14,018
(Loss) income before income taxes	(11,822)	(3,042)	30,485	4,014
Income tax (benefit) expense	(3,756)	(129)	11,187	2,468
Net (loss) income	\$(8,066)	\$(2,913)	\$19,298	\$1,546
Basic (loss) earnings per share	\$(0.11)	\$(0.04)	\$0.26	\$0.02
Diluted (loss) earnings per share	\$(0.11)	\$(0.04)	\$0.26	\$0.02

PERRIGO COMPANY AND SUBSIDIARIES
SELECTED BALANCE SHEET DATA
(In thousands)

	July 1, 2000	July 3, 1999
Current assets	\$268,645	\$382,587
Property and equipment	193,580	199,662
Other	23,839	33,609
Total Assets	\$486,064	\$615,858
Current liabilities	\$113,920	\$133,170
Deferred income taxes	19,462	14,674
Long-term debt, less current installments	-	135,026
Minority interest	922	569
Shareholders' equity	351,760	332,419
Total Liabilities and Equity	\$486,064	\$615,858

SOURCE: Perrigo Company

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Company News On-Call: <http://www.prnewswire.com/comp/699550.html> or fax, 800-758-5804, ext. 699550

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