

Perrigo Company Reports Results for Fiscal Year 2001's Second Quarter

PRNewswire
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The Perrigo Company's (NASDAQ: PRGO) second quarter results announced today included a \$24.0 million charge, or \$0.21 per share, for the voluntary discontinuation of production and withdrawal of cough and cold products and diet aids containing phenylpropanolamine (PPA). The Company withdrew these products in compliance with the FDA's recommendation. This charge was \$5.0 million or \$0.05 per share higher than announced on November 8, 2000, but was more than offset by improved operating results in the quarter.

On a proforma basis prior to the PPA product withdrawal charges, fiscal 2001 sales were \$204.9 million, a two percent increase compared with \$200.7 million in the second quarter last year. Proforma net income for the quarter was \$16.1 million or \$0.22 per share versus \$11.0 million or \$0.15 per share a year ago.

The product withdrawal resulted in a \$14.0 million reduction in sales due to PPA product returns. These returns reduced gross margin by \$3.8 million and when combined with a \$20.2 million charge to cost of sales for product returns, product write-offs and the cost of disposal, income before tax was reduced by \$24.0 million or \$0.21 per share. Including the PPA charges, net sales in the quarter were \$190.9 million and reported net income was \$0.8 million, or \$0.01 per share, versus \$11.0 million, or \$0.15 per share, last year.

Perrigo's President and Chief Executive Officer, David T. Gibbons, stated, "What is masked by the returns and charge related to the PPA issue is the fact that this was a good quarter for Perrigo. Excluding the PPA charge, our second quarter gross margin improved to 27.3% from 24.0% last year, a 3.3 percentage point gain. We succeeded in returning inventory obsolescence costs to levels in line with more normal historical results. Also, with the elimination of long-term debt and continued positive cash flow, we earned interest and other income of nearly \$1.0 million during the quarter, compared with having interest and other expenses of \$2.0 million for last year's second quarter."

Commenting on this year's cough and cold season, Mr. Gibbons said, "The indicators have shown that thus far, the cough, cold and flu season has been weaker than last year, which itself was weak. In fact, tracking service data indicates that through mid-January, this season is 18 to 20 percent below a year ago in terms of the number of people affected by colds and flu. The strength of the season and how long it lasts will influence the level of cough and cold product reorders in our third quarter."

Excluding the PPA product returns and \$17.8 million of personal care sales last year, fiscal 2001's first half sales, on a proforma basis, were \$398.2 million compared with \$395.2 million for the first six months a year ago. Proforma net income for the six months was \$26.7 million or \$0.36 per share versus \$20.6 million or \$0.28 per share last year. Including PPA product sales returns, reported net sales in the first half were \$384.2 million and reported net income including the PPA charge was \$11.4 million or \$0.15 per share. For the first half of last year, including personal care, Perrigo reported net income of \$21.0 million or \$0.29 per share.

"Perrigo continues to make headway in the implementation of our ongoing quality and

compliance improvement programs. Our efforts focus on revising operating procedures, expanding documentation, staffing additions and more comprehensive training. At the same time we are also working toward improved customer service. When we are finished, quality and customer service will be clear and compelling competitive advantages for Perrigo," Mr. Gibbons concluded.

Douglas R. Schrank, Executive Vice President and Chief Financial Officer, stated, "The improved financial results recorded in our first half this year, excluding PPA, will be tough to match in the second half. The cost of our quality and compliance efforts will be up substantially. It will be difficult to replace last year's PPA product sales and the effect of not having PPA replacement products are expected to reduce earnings by \$0.03 to \$0.04 per share during the last six months. We expect earnings for Perrigo's fiscal 2001 third quarter to be in a range of \$0.08 to \$0.12 per share. For the full year ending June 30, 2001, we expect earnings to be in a range of \$0.43 to \$0.48 per share, excluding the PPA product withdrawal costs in the second quarter."

Perrigo will host a conference call to discuss second quarter 2001 results at 11 a.m. (EST) today. The call and replay will be available via webcast on the Company's web site at <http://www.perrigo.com/investor> . The conference call may also be accessed by phone on a listen-only basis by calling 800-553-0273 and asking for Perrigo's second quarter review. A taped replay of the call will be available beginning at approximately 2:30 p.m. (EST) Tuesday, January 23. To listen to the replay, call 800-475-6701, access code 566455 (outside the United States, call 320-365-3844).

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 23-27 of the Company's Form 10-K for the year ended July 1, 2000 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
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME
 (In thousands, except per share amounts)
 (Unaudited)

	Second Quarter		Year-To-Date	
	December 30, 2000	January 1, 2000	December 30, 2000	January 1, 2000
Net sales	\$190,882	\$200,688	\$384,215	\$413,008
Cost of sales	138,787	152,616	285,181	315,143
PPA product withdrawal	20,200	-	20,200	-
Gross profit	31,895	48,072	78,834	97,865

Operating expenses				
Distribution	3,961	3,682	7,418	8,450
Research and development	3,470	3,876	7,428	7,393
Selling and administrative	24,178	21,487	47,269	45,181
Unusual litigation	(457)	-	(457)	-
	31,152	29,045	61,658	61,024
Operating income	743	19,027	17,176	36,841
Interest and other, net	(961)	2,049	(1,135)	4,511
Income before income taxes	1,704	16,978	18,311	32,330
Income tax expense	884	6,014	6,957	11,341
Net income	\$820	\$10,964	\$11,354	\$20,989
Basic earnings per share	\$0.01	\$0.15	\$0.15	\$0.29
Diluted earnings per share	\$0.01	\$0.15	\$0.15	\$0.29
Shares outstanding used for basic EPS calculation	73,522	73,348	73,513	73,337
Shares outstanding used for diluted EPS calculation	73,953	73,525	73,941	73,527

PERRIGO COMPANY
SELECTED BALANCE SHEET DATA
(In thousands)

	December 30, 2000	July 1, 2000
(Unaudited)		
Current assets	\$305,415	\$268,645
Property & equipment, net	192,548	193,580
Other assets	23,057	23,839
Total Assets	\$521,020	\$486,064
Current liabilities	\$138,302	\$113,920
Deferred income taxes	18,967	19,462
Minority interest	935	922
Shareholders' equity	362,816	351,760
Total Liabilities and Equity	\$521,020	\$486,064

PERRIGO COMPANY
SELECTED STATEMENT OF CASH FLOWS DATA
(In thousands)
(Unaudited)

	Year-To-Date December 30, 2000	July 1, 2000
Net income	\$11,354	\$20,989
Depreciation and amortization	11,766	11,016
Other operating activities	32,093	(8,515)
Net cash from operating activities	55,213	23,490
Additions to property and equipment	(10,116)	(7,643)
Proceeds from sale of assets held for sale	-	31,186
Net cash from (for) investing activities	(10,116)	23,543
Net cash (for) financing activities	(507)	(44,997)
Net Increase in Cash and Cash		

Equivalents	44,590	2,036
Cash and Cash Equivalents, at Beginning of Period	7,055	1,695
Cash and Cash Equivalents, at End of Period	\$51,645	\$3,731

SOURCE Perrigo Company

Contact: Ernest J. Schenk, Manager, Investor Relations and Communication
of Perrigo Company, 616-673-9212, email, Investor@perrigo.com

Website: <http://www.perrigo.com/>

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

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