

Perrigo Company's Second Quarter Revenue Growth Driven By New Products

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ALLEGAN, Mich.

The Perrigo Company (NASDAQ: PRGO)(TASE: PRGO) today announced results for the second quarter of fiscal year 2007 ended December 30, 2006.

Perrigo Company
(in thousands, except per share amounts)

	Second Quarter		Six Months	
	2007	2006	2007	2006
Sales	\$370,629	\$359,697	\$710,844	\$679,431
Net Income	\$21,088	\$25,366	\$37,970	\$38,277
Diluted EPS	\$0.23	\$0.27	\$0.41	\$0.41
Diluted Shares	93,506	93,963	93,595	94,167

Second Quarter Results

Sales for the second quarter of fiscal 2007 were \$370.6 million, an increase of three percent from \$359.7 million last year. Net income was \$21.1 million, or \$0.23 per share, and included costs for a product recall of \$3.2 million after-tax, or \$0.03 per share. In the second quarter last year, net income was \$25.4 million, or \$0.27 per share, and included a gain on the sale of the Company's interest in a Canadian distribution company of \$2.9 million after-tax, or \$0.03 per share. Excluding this transaction, adjusted net income last year was \$22.4 million, or \$0.24 per share. A reconciliation of non-GAAP measures is shown in Table II at the end of this press release.

Commenting on the second quarter, Joseph C. Papa, Perrigo's President and Chief Executive Officer said, "I am pleased with the continued success of our new product launches this year, led by those in our Smoking Cessation category. While Perrigo had another strong new product quarter, our results reflect the impact of the November 2006 Acetaminophen recall and the lower than anticipated sales of cough/cold and pain reliever products in the Consumer Healthcare business. The weak demand for our key products corresponds to the mild cold and flu season experienced through December. This is similar to what we've seen the past two cough/cold seasons."

Six Months Results

Sales for the first six months ended December 30, 2006 were \$710.8 million, an increase of five percent compared with \$679.4 million last year. Net income was \$38.0 million, or \$0.41 per share, which included expenses for a product recall of \$3.9 million after-tax, or \$0.04 per share.

In the first six months last fiscal year, net income was \$38.3 million, or \$0.41 per share. Excluding an acquisition-related write-off of the step-up in the value of inventory acquired in the first quarter last year (\$3.7 million after-tax, or \$0.04 per share) and a gain on the sale of the non-controlling interest in a Canadian distribution company (\$2.9 million after-tax, or \$0.03 per share) in the second quarter last year, net income for the six months was \$39.1 million, or \$0.41 per share. A reconciliation of non-GAAP measures is shown in Table II at the end of this press release.

The effective tax rate for the six months year to date was 18.4%, down from 33.9% last

year. This lower rate was a result of the higher proportion of income from non-US businesses versus last year, international tax planning and the retroactive renewal of the research and development tax credit that was part of the Tax Relief and Healthcare Act enacted into law this quarter.

Consumer Healthcare

Consumer Healthcare segment sales in the quarter were \$275.9 million, compared with \$270.2 million in the second quarter last year. These results included \$19.5 million in new product sales, led by the recently launched coated mint nicotine gum and nicotine lozenge products, offset by a decline in cough/cold and pain relief products. Operating income was \$17.4 million, compared with \$31.4 million a year ago, reflecting lower cough/cold and analgesics category sales and expenses for a product recall.

For the first six months of fiscal 2007, Consumer Healthcare sales were \$517.8 million, compared with \$497.3 million in the first six months last fiscal year. These results included \$26.8 million in new product sales, offset by a decline in cough and cold category product sales. Operating income was \$34.5 million, compared with \$44.8 million a year ago.

On November 9, 2006, Perrigo announced that it had initiated a voluntary, nationwide product recall to the retail level of certain lots of its store brand Acetaminophen 500 mg caplets. At that time, the Company estimated the cost to pull back product from the retailers' warehouses and shelves to be \$2.9 million pre-tax. The scope of the recall grew subsequent to that announcement as the Company proactively addressed consumers' inquiries. The Company now estimates that the total cost of the recall, including consumer level returns and refunds will be \$6.0 million pre-tax, \$3.9 million after-tax, or \$0.04 per share. Discussions continue with the raw material supplier to determine the extent to which the recall-related materials costs may be recoverable.

Rx Pharmaceuticals

The Rx Pharmaceuticals segment reported sales of \$28.3 million in the quarter, including \$6.2 million of service and royalty revenue, compared with \$28.6 million a year ago. Operating income was \$3.7 million, compared with \$5.3 million last year, primarily as a result of increased investment for research and development.

For the first six months of fiscal 2007, sales were \$59.7 million and operating income was \$9.5 million. For the same period last year, sales were \$57.7 million and operating income was \$9.1 million, including a pre-tax charge of \$2.8 million for a product recall in the first quarter.

API

Second quarter sales in the API segment were \$28.6 million, compared with \$26.9 million a year ago. Operating income was \$5.9 million, compared with \$6.5 million last year and reflects a significant increase in research and development investments. For the first six months, sales were \$58.4 million, compared with \$53.7 million a year ago, and operating income was \$10.6 million, compared with \$13.1 million last year. Excluding a \$1.7 million first quarter write-off of the step-up in the value of inventory acquired, operating income for the first six months last year was \$14.9 million.

Other

The Other category, consisting of the Israel Consumer Products and Israel Pharmaceutical and Diagnostic Products segments, reported sales for the second quarter of fiscal 2007 of \$37.8 million, up 11 percent from \$34.0 million a year ago. Operating income was \$3.0 million compared with \$1.0 million last year. Sales for the first six months were \$75.0 million, up six percent from \$70.7 million last year, and operating income was \$5.6 million, compared with \$0.1 million last year. Excluding a \$2.7 million first quarter write-off of the step-up in the value of inventory acquired, the Other category recorded operating income of \$2.8 million for the first six months last year.

Outlook

The Company anticipates earnings for the full fiscal year in the range of \$0.86 to \$0.91 per share, excluding \$0.01 per share of restructuring costs. The Company expects its full-year tax rate to be in the range of 20 to 23 percent, down from the previous estimate of 30 to 32 percent, as a result of a change in the worldwide income mix and tax planning measures.

Mr. Papa stated, "We will focus closely on monitoring production levels and costs in the second half of the fiscal year. While some of the issues this quarter are one time events, such as the Acetaminophen recall, our focus on quality investments and the reduction of production costs will lead us in a return to historical gross margin levels."

"We will maintain our increased investments in research and development as previously planned. Our long-term outlook continues to be positive as we focus on bringing important new products to market while we deliver value to our customers and their consumers."

The Perrigo Company is a leading global healthcare supplier and the world's largest manufacturer of over-the-counter (OTC) pharmaceutical and nutritional products for the store brand market. Store brand products are sold by food, drug, mass merchandise, dollar store and club store retailers under their own labels. The Company also develops, manufactures and markets prescription generic drugs, active pharmaceutical ingredients and consumer products, and operates manufacturing facilities in the United States, Israel, the United Kingdom, Mexico, Germany and China. Visit Perrigo on the Internet (<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. These statements relate to future events or the Company's future financial performance and involve known and unknown risks, uncertainties and other factors that may cause the actual results, levels of activity, performance or achievements of the Company or its industry to be materially different from those expressed or implied by any forward-looking statements. In some cases, forward-looking statements can be identified by terminology such as "may," "will," "could," "would," "should," "expect," "plan," "anticipate," "intend," "believe," "estimate," "predict," "potential" or other comparable terminology. Please see the "Cautionary Note Regarding Forward-Looking Statements" on page 1 of the Company's Form 10-K for the year ended July 1, 2006, as well as the Company's subsequent filings with the Securities and Exchange Commission, 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 these forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. Unless otherwise required by applicable securities laws, the Company disclaims any intention or obligation to update or

revise any forward-looking statements, whether as a result of new information, future events or otherwise.

PERRIGO COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share amounts)
(unaudited)

	Second Quarter		Year-to-Date	
	2007	2006	2007	2006
Net sales	\$370,629	\$359,697	\$710,844	\$679,431
Cost of sales	272,304	254,127	517,902	486,945
Gross profit	98,325	105,570	192,942	192,486
Operating expenses				
Distribution	7,155	6,953	14,539	14,103
Research and development	14,902	12,226	27,949	24,875
Selling and administration	49,239	47,082	97,713	93,470
Restructuring	642	-	642	-
Total	71,938	66,261	140,843	132,448
Operating income	26,387	39,309	52,099	60,038
Interest, net	3,300	5,116	7,886	9,142
Other income, net	(2,258)	(5,791)	(2,319)	(7,037)
Income before income taxes	25,345	39,984	46,532	57,933
Income tax expense	4,257	14,618	8,562	19,656
Net income	\$21,088	\$25,366	\$37,970	\$38,277
Earnings per share				
Basic	\$0.23	\$0.27	\$0.41	\$0.41
Diluted	\$0.23	\$0.27	\$0.41	\$0.41
Weighted average shares outstanding				
Basic	91,836	92,833	92,104	93,063
Diluted	93,506	93,963	93,595	94,167
Dividends declared per share	\$0.0450	\$0.0425	\$0.0875	\$0.0825

PERRIGO COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	December 30, July 1, December 24,		
	2006	2006	2005
Assets	(unaudited)	(unaudited)	(unaudited)
Current assets			
Cash and cash equivalents	\$39,635	\$19,018	\$15,840
Investment securities	34,030	26,733	10,717
Accounts receivable	246,603	240,130	235,672
Inventories	322,624	302,941	262,855
Current deferred income taxes	50,358	52,058	52,140
Prepaid expenses and other current assets	24,515	16,298	21,841
Total current assets	717,765	657,178	599,065
Property and equipment	629,325	606,907	594,802
Less accumulated depreciation	308,999	287,549	282,196
	320,326	319,358	312,606
Restricted cash	400,000	400,000	400,000
Goodwill	188,272	152,183	150,067
Other intangible assets	134,187	132,426	141,079
Non-current deferred income taxes	46,039	43,143	36,130
Other non-current assets	47,474	46,336	45,129
	\$1,854,063	\$1,750,624	\$1,684,076
Liabilities and Shareholders' Equity			
Current liabilities			

Accounts payable	\$173,008	\$179,740	\$149,541
Notes payable	18,333	20,081	20,975
Payroll and related taxes	41,049	54,153	42,021
Accrued customer programs	45,436	49,534	50,775
Accrued liabilities	44,328	45,335	55,898
Accrued income taxes	23,311	14,132	11,539
Current deferred income taxes	6,193	8,456	13,727
Total current liabilities	351,658	371,431	344,476

Non-current liabilities

Long-term debt	668,784	621,717	634,956
Non-current deferred income taxes	106,702	81,923	64,182
Other non-current liabilities	34,646	34,809	34,807
Total non-current liabilities	810,132	738,449	733,945

Shareholders' equity

Preferred stock, without par value, 10,000 shares authorized	-	-	-
Common stock, without par value, 200,000 shares authorized	509,910	516,098	518,459
Accumulated other comprehensive income (loss)	31,456	3,593	(8,645)
Retained earnings	150,907	121,053	95,841
Total shareholders' equity	692,273	640,744	605,655
	\$1,854,063	\$1,750,624	\$1,684,076

Supplemental Disclosures of Balance

Sheet Information

Allowance for doubtful accounts	\$12,198	\$11,178	\$11,088
Allowance for inventory	\$39,098	\$42,509	\$44,201
Working capital	\$366,107	\$285,747	\$254,589
Preferred stock, shares issued	-	-	-
Common stock, shares issued	92,666	92,922	93,104

PERRIGO COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Year-To-Date	
	2007	2006
Cash Flows (For) From Operating		
Activities		
Net income	\$37,970	\$38,277
Adjustments to derive cash flows		
Depreciation and amortization	27,681	26,753
Share-based compensation	5,718	4,741
Deferred income taxes	(4,248)	(7,506)
Sub-total	67,121	62,265
Changes in operating assets and liabilities		
Accounts receivable	(9,295)	(23,845)
Inventories	(22,919)	11,956
Accounts payable	(4,034)	5,480
Payroll and related taxes	(12,658)	(580)
Accrued customer programs	(4,098)	9,109
Accrued liabilities	(937)	(3,133)
Accrued income taxes	9,480	(12,811)
Other	(5,025)	6,797
Sub-total	(49,486)	(7,027)
Net cash from operating activities	17,635	55,238
Cash Flows (For) From Investing		
Activities		
Purchase of securities	(117,746)	(27,887)
Proceeds from sales of securities	111,665	34,586
Additions to property and equipment	(19,784)	(12,112)

Proceeds from sales of property and equipment	2,613	-
Net cash for investing activities	(23,252)	(5,413)

Cash (For) From Financing Activities

Repayments of short-term debt, net	(1,699)	(4,471)
Borrowings of long-term debt	60,000	15,000
Repayments of long-term debt	(15,000)	(35,000)
Tax effect of stock transactions	(59)	(635)
Issuance of common stock	3,700	3,006
Repurchase of common stock	(15,547)	(16,401)
Cash dividends	(8,116)	(7,702)
Net cash (for) from financing activities	23,279	(46,203)
Net increase in cash and cash equivalents	17,662	3,622
Cash and cash equivalents, at beginning of period	19,018	16,707
Effect of exchange rate changes on cash	2,955	(4,489)
Cash and cash equivalents, at end of period	\$39,635	\$15,840

Supplemental Disclosures of Cash Flow Information

Cash paid/received during the period for:

Interest paid	\$17,062	\$17,680
Interest received	\$9,831	\$10,614
Income taxes paid	\$6,727	\$32,361
Income taxes refunded	\$1,369	\$5,164

Table I
PERRIGO COMPANY
SEGMENT INFORMATION
(in thousands)
(unaudited)

	Second Quarter		Fiscal Year		
	2007	2006	2007	2006	
Segment Sales					
Consumer Healthcare		\$275,947	\$270,222	\$517,756	\$497,322
Rx Pharmaceuticals		28,260	28,645	59,685	57,739
API	28,633	26,863	58,412	53,654	
Other	37,789	33,967	74,991	70,716	
Total	\$370,629	\$359,697	\$710,844	\$679,431	
Segment Operating Income (Loss)					
Consumer Healthcare	\$17,420	\$31,436	\$34,520	\$44,762	
Rx Pharmaceuticals	3,686	5,300	9,473	9,136	
API	5,929	6,545	10,587	13,131	
Other	2,976	994	5,640	130	
Unallocated expenses	(3,624)	(4,966)	(8,121)	(7,121)	
Total	\$26,387	\$39,309	\$52,099	\$60,038	

Table II
PERRIGO COMPANY
RECONCILIATION OF NON-GAAP MEASURES
(in thousands, except per share amounts)
(unaudited)

	Second Quarter		Fiscal Year	
	2007	2006	2007	2006
Net sales	\$370,629	\$359,697	\$710,844	\$679,431
Reported gross profit	\$98,325	\$105,570	\$192,942	\$192,486

Inventory step-up	-	-	-	4,762
Adjusted gross profit	\$98,325	\$105,570	\$192,942	\$197,248
Adjusted gross profit %	26.5%	29.3%	27.1%	29.0%
Reported operating income	\$26,387	\$39,309	\$52,099	\$60,038
Inventory step-up	-	-	-	4,762
Restructuring	642	-	642	-
Adjusted operating income	\$27,029	\$39,309	\$52,741	\$64,800
Reported net income	\$21,088	\$25,366	\$37,970	\$38,277
Inventory step-up (1)	-	-	-	3,714
Restructuring (2)	417	-	417	-
Gain on sale of equity investment (3)	-	(2,939)	-	(2,939)
Adjusted net income	\$21,505	\$22,427	\$38,387	\$39,052
Diluted earnings per share				
Reported	\$0.23	\$0.27	\$0.41	\$0.41
Adjusted	\$0.23	\$0.24	\$0.41	\$0.41
Diluted weighted average shares outstanding	93,506	93,963	93,595	94,167

- (1) Net of taxes at 22%
(2) Net of taxes at 35%
(3) Net of taxes at 37%

Table II (Continued)
REPORTABLE SEGMENTS
RECONCILIATION OF NON-GAAP MEASURES
(in thousands, except per share amounts)
(unaudited)

	Second Quarter		Fiscal Year	
	2007	2006	2007	2006
Consumer Healthcare				
Net sales	\$275,947	\$270,222	\$517,756	\$497,322
Reported gross profit	\$59,346	\$69,729	\$115,547	\$122,373
Inventory step-up	-	-	-	318
Adjusted gross profit	\$59,346	\$69,729	\$115,547	\$122,691
Adjusted gross profit %	21.5%	25.8%	22.3%	24.7%
Reported operating income	\$17,420	\$31,436	\$34,520	\$44,762
Inventory step-up	-	-	-	318
Restructuring	642	-	642	-
Adjusted operating income	\$18,062	\$31,436	\$35,162	\$45,080
API				
Net sales	\$28,633	\$26,863	\$58,412	\$53,654
Reported gross profit	\$14,085	\$12,797	\$25,964	\$24,801
Inventory step-up	-	-	-	1,747
Adjusted gross profit	\$14,085	\$12,797	\$25,964	\$26,548
Adjusted gross profit %	49.2%	47.6%	44.4%	49.5%
Reported operating income	\$5,929	\$6,545	\$10,587	\$13,131
Inventory step-up	-	-	-	1,747
Adjusted operating income	\$5,929	\$6,545	\$10,587	\$14,878
Other				
Net sales	\$37,789	\$33,967	\$74,991	\$70,716
Reported gross profit	\$13,507	\$11,452	\$26,257	\$22,095
Inventory step-up	-	-	-	2,697
Adjusted gross profit	\$13,507	\$11,452	\$26,257	\$24,792
Adjusted gross profit %	35.7%	33.7%	35.0%	35.1%
Reported operating income (loss)	\$2,976	\$994	\$5,640	\$130
Inventory step-up	-	-	-	2,697
Adjusted operating income	\$2,976	\$994	\$5,640	\$2,827

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SOURCE: Perrigo Company

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Web site: <http://www.perrigo.com/>

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