

Perrigo Unveils Self-Care Transformation Plan, 2019 Guidance And Long-Term Growth Targets At Investor Day

DUBLIN, May 9, 2019 /PRNewswire/ -- Perrigo Company plc (NYSE; TASE: PRGO) today is holding its Investor Day at the New York Stock Exchange in New York City, outlining its strategy to drive long-term growth and build shareholder value. Chief Executive Officer and President Murray S. Kessler, along with several key members of his leadership team, will share the Company's strategic plan, vision, and financial objectives while introducing their priorities for transforming Perrigo from a healthcare company to a consumer self-care company.

Kessler commented, "We have begun the process of transformation to recapture what we call *The Perrigo Advantage*'. The team has been hard at work during my first six months as CEO, analyzing our challenges and most importantly, building actionable plans to reinvent the company. Our financial objective is to deliver long-term, consistent, and sustainable total shareholder returns in-line with our CPG peers. Notably, the Company and its Board of Directors has committed over \$1 billion to the transformation plan, which encompasses infrastructure improvements, innovation initiatives, technology upgrades and a significant bolt-on acquisition. We believe that successfully transforming Perrigo to a consumer self-care company and relentlessly pursuing our new vision – **To Make Lives Better by Bringing "Quality, Affordable, Self-Care Products™" that Consumers Trust Everywhere they are Sold** – will unlock significant shareholder value."

The leadership team will provide details on Perrigo's transformation plans, which can be accessed live by webcast at <https://livestream.com/ICENYSE/perrigowebcast>, beginning today at 8:00 a.m. EDT.

Highlights of the Perrigo transformation plan include:

- **Reconfirming the commitment to separate the generic Rx business:** The sale/spin process for the Rx Pharmaceuticals business is well underway and the Company believes the timing to complete a transaction/spin is likely towards the end of 2019 or in 2020. Separation improves the focus of both the Consumer and Rx businesses, while enabling long-term value creation for shareholders. Preliminary estimates of net dilution will be presented at the meeting.
- **Acquiring Ranir Global Holdings LLC ("Ranir"):** Perrigo has taken an important step in launching its consumer self-care strategy by announcing the acquisition of Ranir, a leading global private label supplier of oral self-care products, for \$750 million. Ranir adds a comprehensive portfolio of 300+ highly customized oral care solutions and private label know-how. This strategic combination enhances Perrigo's position as a global self-care leader and is immediately accretive to adjusted earnings and margins.
- **Divesting the Animal Health business:** Perrigo has reached a definitive agreement with PetIQ to divest its Animal Health business for \$185 million in cash. This is another example of how the Company is reconfiguring its portfolio to focus on the consumer self-care market.
- **Investing more than \$250 million in capacity and technology:** The Company plans to invest more than \$250 million in incremental capital over the next four years to expand capacity within its infant nutrition and tablet manufacturing operations to meet growing consumer demand. Technology investments are focused on strengthening key business enablers and enhancing the Company's consumer insight capabilities.
- **Driving growth in eCommerce:** The Company will discuss plans to enhance its digital marketing capabilities and increase its product offerings in this channel.
- **Launching 'Project Momentum':** To help fund the consumer transformation and drive performance in line with its high-performing consumer peers, Perrigo has initiated a \$100 million annualized cost savings program. By year three, Perrigo expects these savings will be fully realized and will help it achieve comparable CPG operating margins, fund growth investments and partially offset anticipated dis-synergies from the separation of the Rx business.
- **Entering into 'Power Brand' partnerships:** Perrigo has entered into a licensing agreement with a global leader in natural products, known across a broad range of categories. This partnership enables the Company to leverage the depth and breadth of its current portfolio while utilizing the strong brand equity of a leading natural brand.
- **Launching new products:** Perrigo's global R&D functions have been centralized and an innovation group has been created to leverage our global scale and ramp up organic innovation. The revised product development process has identified 40 new initiatives with approximately \$500 million in future pipeline potential.
- **Expanding beyond traditional innovation pathways:** Utilizing its leading global self-care platform, Perrigo is focused on adding new vectors of growth that are close to its core. One example is the licensing agreement for Perrigo to lead the Rx-to-OTC switch of Nasonex[®]. Unlike other switches, Nasonex[®] provides Perrigo the opportunity to launch an innovative national brand and a store brand offering for consumers and customers. This agreement establishes a framework for Perrigo to lead other potential switch opportunities.
- **Investing in transformative innovations:** In addition to innovating in core products and categories, Perrigo has begun investing in transformative ideas that are new to both the market and the organization. As an example, Perrigo has signed a letter of intent to make a small investment in a vapor dosing technology company with a delivery device that learns consumer behavior and preferences to provide users with a personalized experience.
- **Actively Pursuing CBD:** With the **cannabidiol** (CBD) market growing at approximately 50% per year with a total market opportunity estimated at \$2 billion by 2022, the Company is announcing that it is in active discussions with several leading CBD companies to identify the best partner to create high-quality reliable CBD products. Several of the largest U.S. retailers have already announced plans to sell CBD-containing products and are looking for partners such as Perrigo to deliver a safe and reliable product.
- **Building talent and aligning pay with performance:** The Company announced a newly implemented pay for performance framework that is aligned around the goals of the strategic transformation, rewarding both revenue growth and profit to ultimately drive shareholder returns.
- **Allocating capital to grow long-term and reward shareholders** – The Company has a strong balance sheet, with more than \$800 million in cash on hand, and strong operating cash flow. These, along with proceeds from reconfiguring the portfolio, are expected to create additional capital to fund bolt-on acquisitions, drive organic investments for future growth, pay down debt over time to levels commensurate with Perrigo's CPG peers (~2.5X debt to EBITDA), and return cash to shareholders. Consistent with this strategy, on April 26, 2019, Perrigo's Board of Directors approved an 11% increase in the Company's quarterly dividend to \$0.21 per share from \$0.19 per share. This dividend increase marked the 16th consecutive year Perrigo increased its dividend.
- **Delivering consistent and sustainable results** – The plan to recapture *'The Perrigo Advantage'* and actions to deliver long-term, consistent, and sustainable total shareholder returns are well underway. The transformation of Perrigo into a high-performing consumer company will take an estimated 2-3 years, during which the Company expects to deliver outsized adjusted diluted EPS growth after the Rx business is separated. After the 2-3-year transformation is completed, the Company expects financial performance to be in-line with its consumer peers: 3% revenue growth, 5% adjusted operating income growth and 7% adjusted diluted EPS growth.

Additionally, the Company is providing calendar year 2019 guidance including:

- Consolidated reported net sales of between \$4.6 billion to \$4.7 billion
- Worldwide Consumer segments reported net sales of between \$3.6 billion to \$3.7 billion
- GAAP diluted EPS of between \$1.24 and \$1.54
- Non-GAAP ("adjusted") diluted EPS of between \$3.65 and \$3.95 (see Table I for adjusted to reported amounts)
- Upside to adjusted diluted EPS of \$0.10 - \$0.35 from the acquisition of Ranir, the potential launch of generic ProAir[®] and benefits from 'Project Momentum' (\$100 million annualized cost savings program)

Today's Investor Day is being webcast live beginning at 8:00 a.m. EDT. Interested parties can access this meeting via:

- Live webcast at <https://livestream.com/ICENYSE/perrigowebcast>
- Webcast replay at <https://investor.perrigo.com/events-webcasts>

About Perrigo

Perrigo Company plc is dedicated to making lives better by bringing *Quality, Affordable Self-care Products™* that consumers trust everywhere they are sold. The Company is a leading provider of over-the-counter health and wellness solutions that

enhance individual well-being by empowering consumers to proactively prevent or treat conditions that can be self-managed. Visit Perrigo online at <http://www.perrigo.com>.

Forward-Looking Statements

Certain statements in this press release are "forward-looking statements." 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," "forecast," "plan," "anticipate," "intend," "believe," "estimate," "predict," "potential" or the negative of those terms or other comparable terminology. The Company has based these forward-looking statements on its current expectations, assumptions, estimates and projections. While the Company believes these expectations, assumptions, estimates and projections are reasonable, such forward-looking statements are only predictions and involve known and unknown risks and uncertainties, many of which are beyond the Company's control, including: the timing, amount and cost of any share repurchases; future impairment charges; the success of management transition; customer acceptance of new products; competition from other industry participants, some of whom have greater marketing resources or larger market shares in certain product categories than the Company does; pricing pressures from customers and consumers; resolution of uncertain tax positions, including the Company's appeal of the Notice of Assessment (the "NoA") issued by the Irish tax authority and the Notice of Proposed Assessment ("NOPA") issued by the U.S. Internal Revenue Service and the impact that an adverse result in such proceedings would have on operating results, cash flows, and liquidity; potential third-party claims and litigation, including litigation relating to the Company's restatement of previously-filed financial information and litigation relating to uncertain tax positions, including the NoA and the NOPA; potential impacts of ongoing or future government investigations and regulatory initiatives; the impact of tax reform legislation and healthcare policy; general economic conditions; fluctuations in currency exchange rates and interest rates; the consummation of announced acquisitions or dispositions and the success of such transactions, and the Company's ability to realize the desired benefits thereof; and the Company's ability to execute and achieve the desired benefits of announced cost-reduction efforts and strategic and other initiatives. Statements regarding the separation of the RX business, including the expected benefits, anticipated timing, form of any such separation and whether the separation ultimately occurs, are all subject to various risks and uncertainties, including future financial and operating results, our ability to separate the business, the effect of existing interdependencies with our manufacturing and shared service operations, and the tax consequences of the planned separation to the Company or its shareholders. Furthermore, the Company may incur additional tax liabilities in respect of 2016 and prior years or be found to have breached certain provisions of Irish company law in connection with the Company's restatement of previously-filed financial statements, which may result in additional expenses and penalties. These and other important factors, including those discussed under "Risk Factors" in the Company's Form 10-K for the year ended December 31, 2018, as well as the Company's subsequent filings with the United States Securities and Exchange Commission, may cause actual results, performance or achievements to differ materially from those expressed or implied by these forward-looking statements. The forward-looking statements in this press release are made only as of the date hereof, and 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.

Non-GAAP Measures

This press release contains certain non-GAAP measures. A "non-GAAP financial measure" is defined as a numerical measure of a company's financial performance that excludes or includes amounts different from the most directly comparable measure calculated and presented in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") in the statements of operations, balance sheets or statements of cash flows of the Company. Pursuant to the requirements of the U.S. Securities and Exchange Commission, the Company has provided reconciliations for guidance for adjusted diluted earnings per share to the most directly comparable U.S. GAAP measures for these non-GAAP measures. These non-GAAP financial measures should be considered as supplements to the GAAP reported measures, should not be considered replacements for, or superior to, the GAAP measures and may not be comparable to similarly named measures used by other companies.

TABLE I
PERRIGO COMPANY PLC
RECONCILIATION OF NON-GAAP MEASURES
2019 CONSOLIDATED GUIDANCE⁽¹⁾
(unaudited)

	Full Year 2019 EPS Guidance
Reported⁽²⁾	\$1.24 - \$1.54
Amortization expense related primarily to acquired intangible assets	2.18
Separation and reorganization expense	0.38
Unusual litigation	0.20
Restructuring charges and other termination benefits	0.07
Losses on investment securities	0.04
Impairment charges	0.03
Gain/loss on divestitures	(0.01)
Acquisition-related charges and contingent consideration adjustments	(0.01)
Change in financial assets	(0.08)
Tax effect of non-GAAP adjustments	(0.39)
Adjusted	\$3.65 - \$3.95

(1) Guidance table includes Q1 actual results for all reconciling line items, plus estimated amortization expense, separation and reorganization expense, unusual litigation and the corresponding tax effect for Q2-Q4.

(2) Guidance excludes Q2-Q4 impact related to the Royalty Pharma contingent milestone payments.

SOURCE Perrigo Company plc

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