Perrigo Launches its 3-Year Optimize and Accelerate Strategic Plan, Issues Fiscal 2023 Guidance and Introduces 2025 Financial Targets at Investor Day

DUBLIN, Feb. 28, 2023 /PRNewswire/ -- Perrigo Company plc (NYSE: PRGO) announced that it will outline its plans to drive long-term profitable growth and build shareholder value at today's Virtual Investor Day. Several key members of the Perrigo leadership team, including President and Chief Executive Officer, Murray S. Kessler, will share the Company's 2023 to 2025 *Optimize and Accelerate* strategic plan and corresponding financial objectives.

Kessler commented, "As a newly transformed consumer self-care company, our team is intensely focused on the next phase of our plan aimed at ***Optimizing*** our commercial operations through our Supply Chain Reinvention Program and ***Accelerating*** profitable growth through organic growth and successful integration of recent acquisitions. Collectively, these initiatives are expected to deliver returns that exceed our stated long-term growth algorithm of '3/5/7'[1] through 2025, well above the average of our CPG peers. Concurrently, we intend to strengthen our balance sheet by reducing net leverage to less than 3x adjusted EBITDA[2] by end of 2025, through a strong focus on earnings growth, cash conversion[3] and further portfolio refinement as appropriate. We believe these plans will build value for shareholders as we continue to ***Make Lives Better*** for those consumers who depend on Perrigo products."

In 2022, the Company completed its four-year transformation from a healthcare to a pure-play consumer self-care company through several major actions that can be summarized as:

1. **Reconfiguring Perrigo's product portfolio:** Completed twelve transactions over the past four years, culminating with the acquisition of Héra SAS ("HRA Pharma" or "HRA") in 2022. These actions transformed Perrigo into a pure-play consumer self-care company.

2. **Investing to restore growth and upgrade the Perrigo infrastructure:** As a result, Perrigo delivered constant currency net sales compound annual growth rate (CAGR) from 2018 to 2022 of 7%, excluding divestitures, and organic net sales CAGR of 3%. This was achieved through the Company's strong new product pipeline that launched more than $600 million in innovation over the past four years. The Company also invested more than $130 million in information technology and global infrastructure, and built a strong eCommerce platform that achieved constant currency net sales CAGR, excluding divestitures, of 55% from 2018 to 2022.

3. **Reducing uncertainty:** The Company successfully overcame and advanced several challenges, including a favorable settlement of the Irish Tax Notice of Assessment and by divesting the most volatile portions of its portfolio.

Today, Perrigo is unveiling the details of its 3-year ***Optimize and Accelerate*** strategy at its Virtual Investor Day. Highlights include:

1. **Why the Company firmly believes its self-care strategy is correct:** Perrigo is extremely well positioned within this emerging sector as 1) national brands will

continue to invest and build their brands, providing a long runway for store brand innovation, 2) consumer demographics remain favorable; as the global population ages there will be a greater need for OTC products, 3) further opportunities for Rx-to-OTC switches, and 4) the greater likelihood for increased Wall Street industry coverage that has the potential to add new investor interest to Perrigo.

2. How the Company plans to continue to grow organic net sales by 3% or more over the long-term: Perrigo has proven that it can consistently grow organic net sales by 3% and will share opportunities it has to refine its strategic growth pillars to continue driving growth through 1) adjacent market and product category penetration, 2) global expansion of key brands, 3) a robust pipeline of new products, especially in the high growth Women's Health and Skin Care categories, both new focus areas for the Company, and 4) making further investments in its high growth eCommerce business.

3. How Perrigo intends to build its adjusted gross margin to at least 40% over the next 3 years: The Company is utilizing a broad set of tools aimed at rebuilding and expanding adjusted gross margin through 1) its Global Supply Chain Reinvention Program that has the potential to deliver an annualized run-rate savings of $200 million to $300 million, excluding depreciation, by the end of 2028. Corresponding cash investments to achieve this run rate are expected in the range of $350 million to $570 million by the end of 2028, including $110 million for the 2022 acquisition of the Gateway infant formula plant and U.S. & Canadian GoodStart® brand ("Gateway"), 2) successfully integrating the significantly margin accretive acquisition of HRA and achieving €50 million in synergies by the end of 2024 from, in part, shifting distribution of product from external third parties to Perrigo's in-house distribution and sales infrastructure, 3) successfully integrating the margin accretive acquisition of Gateway, and 4) benefits from the annualization of inflation-justified pricing actions taken in 2022 and partial normalization of the global supply chain, which is expected to reduce costs.

4. Perrigo's commitment to strong Diversity, Equity and Inclusion (DEI) & Environmental, Social and Governance (ESG) programs: The Company will continue to prioritize and set rigorous goals that the entire organization is committed to achieving, including 1) reducing the Company's impact on the environment, 2) increasing the use of inputs and packaging from recyclable and renewable sources, 3) ensuring all colleagues feel welcomed, valued, respected and heard, and 4) investing in health, education and the needs of the communities in which we work and live.

5. How the Company plans to reduce leverage while still growing its dividend and reinvesting in its business: The Company has a strong balance sheet, $601 million in cash as of December 31, 2022, and expects to generate $1.6 billion to $1.8 billion from operating cash flow and additional portfolio refinements through 2025. These proceeds are anticipated to fund dividend growth, reduce net leverage to less than 3.0x by the end of 2025, support investments to maintain asset reliability, and enable our Supply Chain Reinvention Program and business growth.

6. How the *Optimize and Accelerate* Strategic plan can translate into shareholder value creation: In addition to margin expansion, these collective actions should enable Perrigo to outperform its long-term 3/5/7 growth algorithm from 2023 to 2025, with:

- Organic net sales growth in the low-mid single digit percentage range,
- Adjusted operating income growth in the mid-teens percentage range, and
- Adjusted diluted EPS growth in the mid-high teens percentage range.

7. **Issuing the Company's financial guidance for fiscal year 2023:**

- Reported net sales growth of 7.0% to 11.0% compared to the prior year,
- Organic net sales growth of 3.0% to 6.0% compared to the previous year,
- Reported ("GAAP") diluted EPS range of between$0.50 to $0.70,
- Non-GAAP ("adjusted") diluted EPS range of between$2.50 to $2.70,
- Adjusted tax expense rate of approximately 21.5%,
- Interest expense of approximately $180 million, and
- Cash conversion (operating cash flow as a percentage of adjusted net income) of approximately 100%.

(1) '3/5/7' – Perrigo's long-term growth algorithm annual target is to achieve 3% organic net sales growth, 5% adjusted operating income growth and 7% adjusted diluted earnings per share growth.

(2) Net leverage is calculated using net estimated debt as of December 31, 2025, which assumes a $700M debt maturity in 2024 is paid off, divided by projected adjusted EBITDA for the 12 months ending December 31, 2025. As defined by the Company for this purpose, 'adjusted EBITDA' means earnings before interest, taxes, depreciation, and amortization, less restructuring charges, acquisition and integration-related charges, impairment charges, unusual litigation costs, gains and losses on divestitures and investment properties, and such other adjustments, if any, as may be made in accordance with the Company's policies and procedures then in effect relating to the calculation of non-GAAP financial measures. The Company cannot reconcile its expected adjusted EBITDA in 2025 to reported net income (loss) from continuing operations without unreasonable effort because certain items that impact net income (loss) cannot be reasonably predicted at this time.

(3) Cash conversion defined as operating cash flow as a percentage of adjusted net income.

Virtual Investor Day Details

Perrigo's Virtual Investor Day 2023 will start today at 8:00 A.M. EST and can be available at https://investor.perrigo.com/events-webcasts. A replay will also be available.

About Perrigo

Perrigo Company plc (NYSE: PRGO) is a leading provider of Consumer Self-Care Products and over-the-counter (OTC) 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 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 effect of the coronavirus (COVID-19) pandemic and its variants; supply chain impacts on the Company's business, including those caused or exacerbated by armed conflict, trade and other economic sanctions and/or disease; general economic, credit, and market conditions; the impact of war between Russia and Ukraine and any escalation thereof, including the effects of economic and political sanctions imposed by the United States, United Kingdom, European Union, and other countries related thereto; the outbreak or escalation of conflict in other regions where we do business; future impairment charges, if we determine that the carrying amount of specific assets may not be recoverable from the expected future cash flows of such assets; 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 draft and final Notices of Proposed Assessment ("NOPAs") issued by the U.S. Internal Revenue Service or any litigation relating thereto, ongoing or future government investigations and regulatory initiatives; uncertainty regarding the timing of, and the Company's ability to obtain and maintain, certain regulatory approvals, including the sale of daily over-the-counter oral contraceptives; potential costs and reputational impact of product recalls or sales halts; potential adverse changes to U.S. and foreign tax, healthcare and other government policy; the timing, amount and cost of any share repurchases (or the absence thereof); fluctuations in currency exchange rates and interest rates; the Company's ability to achieve the benefits expected from the sale of its Rx business and the risk that potential costs or liabilities incurred or retained in connection with that transaction may exceed the Company's estimates or adversely affect the Company's business or operations; the Company's ability to achieve the benefits expected from the acquisition of HRA and/or the risks that the Company's synergy estimates are inaccurate or that the Company faces higher than anticipated integration or other costs in connection with the acquisition; risks associated with the integration of HRA, including the risk that growth rates are adversely affected by any delay in the integration of sales and distribution networks; the consummation and success of other announced and unannounced acquisitions or dispositions, 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 other strategic initiatives and investments, including the Company's ability to achieve the expected benefits from its Supply Chain Reinvention Program. An adverse result with respect to the Company's appeal of any material outstanding tax assessments or pending litigation could have a material adverse impact on the Company's operating results, cash flows and liquidity, and could ultimately require the use of corporate assets to pay such assessments, damages from third-party claims, and related interest and/or penalties, and any such use of corporate assets would limit the assets available for other corporate purposes. There can be no assurance that the FDA will approve the sale of daily oral contraceptives without a prescription in the United States. These and other important factors, including those discussed under "Risk Factors" in the Company's Form 10–K for the year ended December 31, 2022, 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.

TABLE I
PERRIGO COMPANY PLC
RECONCILIATION OF NON-GAAP MEASURES
SELECTED CONSOLIDATED INFORMATION
(in millions, except per share amounts)
(unaudited)

	Twelve Months Ended	
	December 31, 2022	**December 31, 2018**
Consolidated Continuing Operations	**Net Sales**	**Net Sales**
Reported	$ 4,452	$ 3,811
Less: Divestitures(2)	(21)	(248)
Less: Currency impact(1)	251	-
Constant Currency Ex-Divestitures	4,681	3,564
CAGR - 2018 - 2022	7 %	
Less: Acquisitions (3)	625	
Acquisition Currency impact (1)	35	
Adjusted Acquisitions	660	-
Organic	$ 4,021	$ 3,564
CAGR - 2018 - 2022	3 %	

Consolidated Continuing Operations	**Twelve Months Ended December 31, 2022**	**December 31, 2018**	**CAGR 2018-2022**
Reported eCommerce net sales	$ 514	$ 93	
Less: Currency impact (1)	26	-	
Constant currency eCommerce net sales	$ 540	$ 93	55 %

(1) Currency impact is calculated using the exchange rates used to translate our financial statements in 2018 to show what most recent periods US dollar results would have been if such currency exchange rates had not changed.

(2) Represents divestiture of Rosemont, Animal Health, Latin American businesses and ScarAway®.
(3) Represents acquisition of HRA Pharma, Nestlé's Gateway Infant Formula Plant and Good Start® infant formula brand and Oral Care.

TABLE II
PERRIGO COMPANY PLC
RECONCILIATION OF NON-GAAP MEASURES
SELECTED CONSOLIDATED INFORMATION
(in millions, except per share amounts)
(unaudited)

	Full Year 2023 Guidance
Reported Net Sales	**7.0% - 11.0%**
Acquisitions, Divestitures, and HRA 1x distribution transition	4.0% - 5.0%
Organic	3.0% - 6.0%

	Full Year 2023 Guidance
Reported EPS	\$0.50 - \$0.70
Pre-tax adjustments[1]:	
Amortization expense primarily related to acquired intangible assets	2.10
Restructuring charges and other termination benefits	0.23
Acquisition and integration-related charges and contingent consideration adjustments	0.15
Non-GAAP tax adjustments[2]	(0.49)
Adjusted EPS	\$2.50 - \$2.70
<u>Diluted weighted average shares outstanding</u>	
Reported and Adjusted	136.4

	Full Year 2023 Guidance
Reported Effective Tax Rate	27.2 %
Non-GAAP adjustments[3]	-5.7 %
Adjusted Effective Tax Rate	21.5 %

(1) Individual pre-tax line item adjustments have not been tax effected, as tax expense on these items are aggregated in the "Non-GAAP tax adjustments" line item.
(2) The non-GAAP tax adjustments are tax effect of pre-tax non-GAAP adjustments.
(3) Represents the effective tax rate impacts of expected amortization expense primarily related to acquired intangible assets, restructuring charges and other termination benefits, and acquisition and integration-related charges and contingent consideration adjustments.

SOURCE Perrigo Company plc

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