Ralston Purina Announces Second Quarter Earnings

ST. LOUIS, April 23 /PRNewswire Interactive News Release/ -- Ralston Purina Companytoday announced second quarter earnings before unusual items of $77,900,000 compared to pro forma earnings from continuing operations before unusual items of $79,900,000 in the prior year. Pro forma comparisons are necessary because Ralston spun off its Battery Products business on April 1, 2000. Earnings decreased primarily on lower equity earnings from the Company's investment in Interstate Bakeries Corporation (IBC), partially offset by lower interest expense. Earnings per share before unusual items were $.27 on a basic and diluted basis, compared to pro forma earnings per share from continuing operations before unusual items of $.28 on a basic and diluted basis a year ago. Second quarter sales were $706,100,000, compared to $690,800,000 in the prior year second quarter.

For the current six months, sales and earnings before unusual items were $1,437,400,000 and $159,000,000, respectively, compared to sales and pro forma earnings from continuing operations before unusual items of $1,419,100,000 and $168,900,000 in the prior year six-month period. The earnings decrease for the six months resulted primarily from lower equity earnings from the Company's investment in IBC and lower operating earnings, partially offset by lower interest expense. Basic and diluted earnings per share before unusual items were $.55 and $.54, respectively, for the current six months, compared to pro forma earnings per share from continuing operations before unusual items of $.58 on a basic and diluted basis a year ago.

Segment Results

Sales for North American Pet Foods increased 1 percent in the quarter and were flat in the six months as higher pricing and a favorable product mix were partially offset in the quarter and offset in the six months by lower volumes and an unfavorable size mix.

Profitability for this segment was flat in the quarter and declined 3 percent in the six months. In the quarter, the sales increase combined with lower advertising and promotion expenses was offset by higher ingredient costs. The six-month decline resulted from unfavorable ingredient costs, partially offset by decreased advertising and promotion expenses.

International Pet Foods' sales increased 2 percent in the quarter and 4 percent in the six months. These increases resulted primarily from volume growth in the Americas and Asia, partially offset by decreased sales in Northern Europe due to lower volumes and unfavorable foreign exchange.

Profitability for this segment decreased 14 percent in the quarter and 16 percent in the six months primarily due to decreased volumes in Northern Europe, expenses associated with expansion in the Asian market and unfavorable foreign exchange.

Sales for Golden Products increased 10 percent in the quarter and 12 percent in the six months due to volume increases in scooping litter and new product introductions in the third quarter of the prior year.

Profitability for Golden Products was flat in the quarter and increased 3 percent in the six months as the sales increase was offset in the quarter and partially offset in the six months by increased product costs and increased advertising and promotion expenses.

Net Earnings

Net earnings for the second quarter of $54,400,000, or $.19 per basic and diluted share, include two unusual items that decreased net earnings by $23.5 million, or $.08 per basic and diluted share, as follows: a net after-tax loss on investments of $4.3 million, or $.01 per basic and diluted share; and after-tax merger-related costs associated with the pending merger between the Company and Nestle S.A., primarily adjustments to employee-related liabilities denominated in share equivalents or tied to stock performance and transaction costs, of $19.2 million, or $.07 per basic and diluted share.

Prior year second quarter net earnings of $143,000,000, or $.49 per basic and diluted share, include several unusual items that increased net earnings by $76.6 million, and a net loss from the discontinued Battery Products operations of $8.1 million. Unusual items in the quarter include the following: an after-tax gain on investments of $7.1 million, or $.02 per basic and diluted share; an unrealized after-tax gain of $38.4 million, or $.13 per basic and diluted share, representing a market value adjustment of the Company's stock appreciation income linked securities (SAILS); and capital loss tax benefits totaling $31.1 million, or $.11 per basic and diluted share.

Net earnings for the current six months were $135,800,000, or $.47 and $.46 per basic and diluted share, respectively. These results include a net after-tax loss on investments of $4.0 million and the merger-related costs discussed above for the current quarter.

Net earnings for the prior year six months were $385,800,000, or $1.33 and $1.32 per basic and diluted share, respectively. In addition to the gain on investments and capital loss tax benefits noted above as impacting net earnings in the prior year second quarter, the prior year six-month earnings include an unrealized after-tax gain representing a market value adjustment of the Company's SAILS of $86.8 million and net earnings from the discontinued Battery Products operations of $99.6 million.

Editor's Note:

On January 16, 2001, the Company and Nestle S.A. announced that they have entered into a definitive merger agreement. For more information, please refer to Ralston's definitive proxy statement filed April 17, 2001.

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