



THE J.M. SMUCKER Co

NEWS RELEASE

# The J.M. Smucker Company Announces Strong Fourth Quarter and Fiscal Year 2002 Results

6/17/2002

Company Achieves 9 Percent Revenue Growth in the Fourth Quarter Earnings Per Share in Line with Expectations  
Smucker Provides Updated Guidance for 2003

ORRVILLE, Ohio, June 17 /PRNewswire-FirstCall/ -- The J.M. Smucker Company (NYSE: SJM) today announced results for the fourth quarter and fiscal year 2002. The Company also provided updated status on the Jif and Crisco merger as well as guidance for fiscal year 2003.

## Fourth Quarter and Fiscal Year 2002 Results

The J.M. Smucker Company sales for the fourth quarter ended April 30, 2002, were up nine percent to \$176.1 million versus \$161.4 million during the same period last year. The Company recorded earnings before interest, taxes, depreciation, and amortization (EBITDA) of \$23.6 million versus \$19.9 million in the fourth quarter of last year. Net income, pursuant to generally accepted accounting principles (GAAP), was \$6.7 million or \$0.26 per share for the fourth quarter. The GAAP earnings in the fourth quarter include approximately \$0.11 per share of costs associated with the merger of the Jif and Crisco brands into The J.M. Smucker Company. Excluding those costs, the Company's earnings per share would have been \$0.37 for the fourth quarter, in line with expectations.

Sales for the full year 2002 rose six percent to \$687.1 million versus \$651.2 million last year. The Company recorded EBITDA of \$90.8 million for fiscal year 2002, up 16 percent versus the prior year. On a GAAP basis, net income for the year was \$30.9 million or \$1.24 per share, which includes approximately \$0.13 per share of costs associated with the merger of Jif and Crisco. Excluding those costs, the Company's earnings per share would have been \$1.37, a 19 percent improvement over the \$1.15 for fiscal year 2001 (after the restatement associated with the change in accounting method described below).

Richard Smucker, President and Co-CEO commented on the results, "Our business continues to perform exceptionally well. The strong results are a product of the successful implementation of our three pronged growth strategy of expanding our current market share in our existing products and markets, developing new products, and pursuing acquisitions to strengthen our market leading positions. This strategy will continue to drive our future performance as we integrate and begin to operate the Jif and Crisco businesses."

Tim Smucker, Chairman and Co-CEO continued, "We continue to expand our share of market in key categories. In fruit spreads our share of market grew to record levels in excess of 40 percent for the year. Moreover, sales of Smucker's Uncrustables to schools have doubled over the last year. We are recognized marketers of leading brands and have a proven track record, in terms of growing share of market, sales, and profits."

During the fourth quarter of 2002 the Company changed from the last-in, first-out (LIFO) method of accounting for certain inventory to the first-in, first-out (FIFO) method. The change puts all of the Company's inventory accounting on FIFO. Additionally, the FIFO method of accounting will improve the accuracy of interim reporting, as the Company will no longer need to estimate fruit costs before the completion of growing seasons and final pricing by vendors. The results from operations have been restated to reflect this accounting change. The impact of the retroactive restatement on retained earnings as of May 1, 1999, was an increase of \$7.2 million. As required by such a change, the Company restated its fiscal 2001 financial results resulting in a reduction in net income of \$1.4 million or \$0.06 per share in last year's fourth quarter and \$3.5 million or \$0.14 per share on a full year basis.

## Business Line Performance

### Domestic Segment

Sales for fiscal year 2002 in the domestic segment were up approximately six percent over the prior year, a result of increases across all domestic business areas.

Sales in the consumer business area grew four percent in 2002 versus last year, due to the expansion of Sugar Free fruit spreads, natural peanut butters, and Goober peanut butter and jelly combination products, as well as new product introductions. Consumer area sales increased in the grocery, club store, and mass retail channels, while

they declined slightly in the military and consumer direct channels.

The Company's foodservice area increased sales nine percent this year compared to 2001 as sales and distribution of Smucker's Uncrustables to schools continued to expand. Sales of traditional foodservice products, while up one percent, included some softness due to the impact of a weak economy and declines in travel and leisure.

Sales in the beverage areas were up seven percent for the full year 2002, due primarily to the strong growth of R.W. Knudsen Family and Santa Cruz Organic products.

Sales in the industrial segment were up 11 percent for the full year 2002. The increase was primarily due to the acquisition of the International Flavors and Fragrances, Inc. (IFF) fruit preparations business in October 2001. The IFF acquisition contributed approximately \$13 million to domestic sales and \$0.05 per share during fiscal year 2002. The additional IFF business has higher margins than the \$40 - \$50 million of industrial businesses scheduled to be discontinued in fiscal 2003 and 2004.

#### International Segment

Sales in the international segment were up four percent over the prior year. In 2002, the Canadian business increased sales four percent in local currency and sales in Smucker's Mexican and Latin American markets increased 22 percent over the prior year. Approximately \$1.9 million of the \$3.5 million increase in international sales was due to the addition of the Brazilian portion of the IFF business. The impact of the strong U.S. dollar as compared primarily to local currencies in Australia, Brazil, and Canada resulted in international segment sales for fiscal year 2002 being approximately \$5.4 million less, in constant dollar terms, than in the prior year.

#### Expenses

The cost of products sold for the majority of the Company's businesses was consistent with last year, as raw material costs remained essentially flat. Smucker's gross profit margin improved 90 basis points to 32.7 percent in the fiscal year 2002, compared to 31.8 percent last year. Selling, distribution, and administrative (SD&A) costs were 24.8 percent of sales for fiscal year 2002 versus 24.0 percent last year. However, excluding the \$5.0 million of merger and integration costs associated with the Jif and Crisco merger, SD&A, as a percent of sales would have been equal to last year. Interest expense increased \$1.4 million over the prior year, as the long-term debt placement that was completed during the second quarter of fiscal 2001 was on the books for a full year in fiscal 2002.

#### Merger of Jif and Crisco

On June 1, 2002, The J.M. Smucker Company merged the Jif peanut butter and Crisco shortening and oils businesses of The Procter & Gamble Company (NYSE: PG) with and into the Company in a tax-free stock transaction. Smucker is continuing the integration of the two businesses and the approximately 400 employees employed in those operations. The Jif business is performing basically as expected and continues to maintain its #1 category leadership position. The Crisco business, while also maintaining its category leadership position, is facing competitive pressure and sales were approximately \$30 million below what Smucker had anticipated that they would be from last July 1 (the beginning of P&G's fiscal year) through the closing.

Richard Smucker continued, "Our Company will focus on maintaining and expanding the Jif business, while implementing the plans developed to bring growth and restore momentum to the Crisco business. Growth will come from a focused dedication on the Jif and Crisco brands as well as increased and consistent consumer marketing support."

The Company will have 11 months of consolidated operating results for fiscal year 2003, which is reflected in the updated guidance below.

#### Outlook for Fiscal Year 2003

The J.M. Smucker Company's updated guidance reflects three key factors: the previously announced exiting of \$40 - \$50 million of industrial business; a lower revenue base in the Crisco business; and eleven months of Jif and Crisco sales, as the merger closed June 1, 2002.

For fiscal year 2003, the Company expects revenue to be approximately \$1.3 billion, an approximate 90 percent increase from 2002. EBITDA is expected to be in the range of \$190 - \$200 million, or approximately 15.0 percent of sales in fiscal year 2003. Additionally, earnings per share are expected to be in the range of \$1.84 to \$1.94 compared to the \$1.37 in fiscal 2002. The Company noted that if it had been able to include a full twelve months' of Jif and Crisco sales and income in fiscal 2003, its expectations for the year would have fallen within the guidance range previously provided, albeit toward the lower end due to the softness in the Crisco business.

Tim Smucker, Chairman and Co-CEO said, "The combination of three icon brands -- Smucker's, Jif and Crisco -- creates a powerhouse of market leadership in the fruit spreads, peanut butter, and edible oil categories. Together, with our rich heritage, employee dedication, and culture of success, this strategic merger will create a platform for the future growth of The J.M. Smucker Company."

#### Conference Call

The Company will conduct a fourth quarter and fiscal year 2002 earnings conference call and webcast tomorrow,

June 18 at 8:30 a.m. (ET). The webcast can be accessed from the Company's website at [www.smuckers.com](http://www.smuckers.com) . For those unable to listen to the webcast, a replay will be available following the call and can be accessed by calling 800-428-6051 in the United States or 973-709-2089 internationally and entering replay passcode 246890. The audio replay will be available until 11:59 p.m. ET, Friday, June 21, 2002.

#### About The J. M. Smucker Company

The J.M. Smucker Company ( [www.smuckers.com](http://www.smuckers.com) ) was founded in 1897 when the Company's namesake and founder sold his first product -- apple butter -- from the back of a horse-drawn wagon. Today, over a century later, the Company is the market leader in fruit spreads, ice cream toppings, health and natural foods beverages, and natural peanut butter in North America. In June of this year, the Company further enhanced its leadership position with the addition of Jif peanut butter and Crisco shortening and oils to the Smucker family of brands. For over 100 years, The J.M. Smucker Company has been headquartered in Orrville, Ohio, and has been family run for four generations. The J.M. Smucker Company has over 2,700 employees worldwide and distributes products in more than 45 countries.

This press release contains certain forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially. These include statements regarding estimates of future earnings and cash flows. Other uncertainties include, but are not limited to the cost and length of time required to integrate the Jif and Crisco businesses, the success and cost of new marketing and sales programs and strategies intended to promote growth in the Jif and Crisco businesses, strength of commodity markets from which raw materials are procured and the related impact on costs, the exact time frame in which loss of sales associated with discontinued industrial contracts will occur, and other factors affecting share prices and capital markets generally. Other risks and uncertainties that may materially affect the Company are detailed from time to time in the respective reports filed by the Company with the Securities and Exchange Commission, including Forms 10-Q, 10-K, and 8-K.

#### Financial Highlights for Fiscal Year 2002

##### The J.M. Smucker Company

The following selected financial data has been restated for the change in accounting for certain inventory from the last-in, first-out (LIFO) method to the first-in, first-out (FIFO) method.

Year Ended April 30,  
(Dollars in thousands, except per share data) 2002 2001

Net sales	\$687,148	\$651,242	
Income and income per Common Share before merger and integration costs, nonrecurring charge, and cumulative effect of change in accounting method:			
Income	\$ 34,011	\$ 29,511	
Income per Common Share		\$1.39	\$1.16
Income per Common Share - assuming dilution		\$1.37	\$1.15

Net income and net income per Common Share:			
Net income	\$ 30,851	\$ 27,206	
Net income per Common Share		\$1.26	\$1.07
Net income per Common Share - assuming dilution		\$1.24	\$1.06

The J.M. Smucker Company  
STATEMENTS OF CONSOLIDATED INCOME

Year Ended April 30,  
2002 2001  
(Dollars in thousands,  
except per share data)

Net sales	\$ 687,148	\$ 651,242	
Cost of products sold	462,157	443,948	
Gross Profit	224,991	207,294	
Selling, distribution, and administrative expenses	165,172	155,973	
Merger and integration costs	5,031	---	
Nonrecurring charge	---	2,152	
Operating Income	54,788	49,169	
Interest income	2,181	2,918	
Interest expense	(9,207)	(7,787)	
Other income - net	2,436	192	
Income Before Income Taxes and Cumulative Effect of Change in Accounting Method	50,198	44,492	
Income taxes	19,347	16,294	
Income Before Cumulative Effect of Change in Accounting Method	30,851	28,198	
Cumulative effect of change in accounting method, net of tax benefit	---	(992)	
Net Income	\$30,851	\$27,206	

Earnings per Common Share:

Income Before Cumulative Effect of Change in Accounting Method	\$1.26	\$1.11
Cumulative effect of change in accounting method	---	(0.04)
Net income per Common Share	\$1.26	\$1.07

Earnings per Common Share -- Assuming Dilution:

Income Before Cumulative Effect of Change in Accounting Method	\$1.24	\$1.10
Cumulative effect of change in accounting method	---	(0.04)
Net income per Common Share - Assuming Dilution	\$1.24	\$1.06

Dividends declared per Common Share	\$0.64	\$0.64
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Weighted-Average Shares Outstanding	24,457,194	25,428,117
Weighted-Average Shares Outstanding - Assuming Dilution	24,858,073	25,658,257

The J. M. Smucker Company  
CONDENSED CONSOLIDATED BALANCE SHEETS

April 30,  
2002      2001  
(Dollars in thousands)

ASSETS

Current Assets:

Cash and cash equivalents	\$91,914	\$51,125
Trade receivables	57,371	55,986
Inventories	116,539	114,175
Other current assets	13,989	13,956
Total Current Assets	279,813	235,242

Property, plant & equipment, net	162,789	171,570
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Other noncurrent assets	82,290	72,292
	\$ 524,892	\$ 479,104

LIABILITIES & SHAREHOLDERS' EQUITY

Current Liabilities:

Accounts payable	\$32,390	\$29,967
Other current liabilities	48,041	38,095
Total Current Liabilities	80,431	68,062

Long-term debt	135,000	135,000
Other noncurrent liabilities	29,317	25,257
Shareholders' equity, net	280,144	250,785

\$ 524,892    \$ 479,104

The J. M. Smucker Company  
 SUMMARY OF QUARTERLY RESULTS OF OPERATIONS  
 (Unaudited)

Summary of Quarterly Results of Operations

The following is a summary of unaudited quarterly results of operations for the years ended April 30, 2002 and 2001, as restated for the change in accounting for certain inventory from the last-in, first-out (LIFO) method to the first-in, first-out (FIFO) method.

(Dollars in thousands, except per share data)

Quarter Ended	Net Sales	Income Before Cumulative Effect of Change in Gross Profit	Accounting Method (a)	Net Income (b)(c)
<b>Net Income</b>				
Fiscal 2002 July 31, 2001	\$169,792	\$57,180	\$ 8,547	\$ 8,547
October 31, 2001	172,844	55,820	7,704	7,704
January 31, 2002	168,392	55,001	7,947	7,947
April 30, 2002	176,120	56,990	6,653	6,653
<b>Fiscal 2001</b>				
July 31, 2000	\$166,328	\$55,177	\$ 9,104	\$ 8,112
October 31, 2000	169,837	53,635	5,759	5,759
January 31, 2001	153,628	50,625	5,905	5,905
April 30, 2001	161,449	47,857	7,430	7,430
<b>Earnings per Common Share</b>				
		<b>Income Before Cumulative Effect of Change in</b>	<b>Income Before Cumulative Effect of Change in</b>	<b>Assuming Dilution</b>

	Quarter Ended	Accounting Method	Net Income (a)(b)(c)	Accounting Method	Net Income (a)(b)(c)
Fiscal 2002	July 31, 2001	\$0.35	\$0.35	\$0.35	\$0.35
	October 31, 2001	0.32	0.32	0.31	0.31
	January 31, 2002	0.32	0.32	0.32	0.32
	April 30, 2002	0.27	0.27	0.26	0.26
Fiscal 2001	July 31, 2000	\$0.32	\$0.28	\$0.32	\$0.28
	October 31, 2000	0.23	0.23	0.23	0.23
	January 31, 2001	0.25	0.25	0.24	0.24
	April 30, 2001	0.31	0.31	0.30	0.30

Annual earnings per share may not equal the sum of the individual quarters due to differences in the average number of shares outstanding during the respective periods.

- (a) Includes merger and integration costs during fiscal 2002 third and fourth quarters of \$558 (\$0.02 per share) and \$2,602 (\$0.11 per share), respectively, related to the Jif and Crisco transaction.
- (b) Includes a nonrecurring charge during fiscal 2001 second quarter of \$1,313 (\$0.05 per share) relating to the sale of real estate.
- (c) Fiscal 2001 fourth quarter income was increased by \$1,100 (\$0.05 per share) resulting from adjustments to the effective income tax rate.