



Diversified Health and Wellness Solutions

Landec Corporation Announces Discontinuation of Food Export Business Consistent with Margin Enhancement Initiative and Updates Third Quarter FY18 Income Tax Benefit and Guidance

February 28, 2018

SANTA CLARA, Calif., Feb. 28, 2018 (GLOBE NEWSWIRE) -- Landec Corporation (NASDAQ:LNDX), a leading innovator of diversified health and wellness solutions within the branded natural food and biomaterial markets, announced the Company's decision to discontinue the operations of its Food Export trading business segment, Cal-Ex Trading Company ("Cal-Ex"), at the end of fiscal 2018, consistent with the Company's margin enhancement strategic initiatives. The Cal-Ex business will be presented as a discontinued operation in Landec's fiscal year-end 2018 financial statements.

"Our long-term strategic plan is to drive growth with increasing profitability through internal innovation capabilities within our natural food business, which includes Apio, Inc. and O Olive Oil & Vinegar ("O Olive"), and at Lifecore Biomedical, Inc., our biomaterials business," commented Molly Hemmeter, Landec's President and CEO. "As we analyzed the impact of the lower margin Cal-Ex business within the scope of our five-year strategic plan, where our primary financial objective is to increase margins through innovation, we have made the decision to discontinue the remaining activities of our Cal-Ex business.

"The performance of our growth businesses - Eat Smart[®] Salads, O Olive and Lifecore - remain strong. The growth in our O Olive and Lifecore businesses are in line with expectations and our Eat Smart salad business is currently projected to exceed our prior expectation. We are now expecting revenues from Eat Smart salads to increase 15% to 18% in fiscal year 2018 compared to fiscal year 2017, versus our previous estimate of 12% to 15%. The shift in product mix at Apio to greater sales of higher margin salads, the discontinuation of the lower margin Cal-Ex business and the right-sizing of the historical, lower margin fresh-cut vegetable business will result in an increase in gross margin of Apio's continuing business going forward. For fiscal year 2018, the gross margin benefits of this shift are being more than offset by incremental produce sourcing costs. These increases in raw material sourcing costs were originally due to the hurricanes and tropical storms during the summer and fall of 2017 and have recently been exacerbated by freezing temperatures that impacted green bean growing regions of Florida during January and by persistent unseasonably warm temperatures in Western growing areas. As we continue to drive growth through higher margin product innovation and sales, we are also focused on mitigating sourcing risk. Today's announcement of the pending closure of our Food Export business demonstrates commitment and progress in rationalizing our businesses and reducing a portion of our produce sourcing risk," stated Hemmeter.

Updated Third Quarter Fiscal 2018 Income Tax Benefit and Guidance

Greg Skinner, Landec's CFO commented, "We are updating our projected income tax benefit and our guidance for the third quarter of fiscal year 2018. We will provide earnings guidance for the fourth quarter in our upcoming third quarter earnings release in early April.

"In our fiscal third quarter of 2018, we will recognize a one-time non-recurring income tax benefit resulting from the new lower corporate tax rate, primarily from a reduction in our deferred tax liability, which has increased substantially from our prior estimate of \$7.0 to \$9.0 million to approximately \$13.0 to \$14.0 million or approximately \$0.46 to \$0.50 per share. As mentioned earlier, the third quarter was negatively impacted from additional sourcing costs, primarily from the cold weather in Florida during January and from unseasonably warm weather in the Western growing areas. The additional produce sourcing costs were partially offset by higher gross profit from a favorable product mix in Apio's Packaged Fresh Vegetables business driven primarily by higher than originally projected revenues of salad products. As a result, during the third quarter of fiscal 2018 we expect consolidated revenues of \$146 million to \$148 million and earnings per share of \$0.54 to \$0.59, which includes a \$0.02 loss from our Food Export business and the one-time non-recurring income tax benefit.

"For the fourth quarters of fiscal years 2018 and 2017 and for fiscal years 2018, 2017 and 2016, the revenues and expenses of the Food Export business will be reclassified as a discontinued operation. We project Food Export revenues for all of fiscal year 2018 to be approximately \$30 million to \$34 million compared to \$62.5 million and \$64.2 million in fiscal years 2017 and 2016, respectively. For all of fiscal year 2018, we are projecting a loss in our Food Export business of approximately \$0.03 per share compared to Food Export net income in fiscal years 2017 and 2016 of \$0.02 and \$0.03 per share, respectively. We had originally planned for the Food Export business to generate net income of \$0.03 per share in fiscal year 2018 and thus we expect a net earnings decrease in the Food Export business of approximately \$0.06 per share.

"We are now projecting that consolidated revenues from continuing operations for all of fiscal year 2018 will increase approximately 9% to 11% compared to fiscal 2017, versus previous guidance for consolidated revenues to increase 2% to 4%, including the Food Export business," concluded Skinner.

About Landec Corporation

Landec Corporation (NASDAQ:LNDX) is a leading innovator of diversified health and wellness solutions within the packaged natural food and biomaterial markets. Landec's food business includes Apio[™], Inc. and O Olive Oil[®] & Vinegar, Apio is a leader in branded, packaged fresh vegetables in North America, utilizing its proprietary BreatheWay[®] packaging technology to naturally extend the shelf life of fresh produce. Apio combines this technology with the capabilities of a large national fresh produce supplier to offer healthy fresh vegetable products under the Eat Smart[®] brand to consumers through club and retail grocery stores. Extending its reach into adjacent natural food products outside of produce, Landec recently acquired O Olive Oil, an organic and natural producer and marketer of olive oils and vinegars under the O brand. Lifecore Biomedical, Landec's biomaterial business, is a fully integrated Contract Development and Manufacturing Organization (CDMO) that offers expertise and capabilities in fermentation, specialty formulation, aseptic filling and final packaging for FDA regulated medical devices and drugs to customers for applications in a wide array of markets including Ophthalmic, Orthopedic and Oncology. For more information about the company, visit Landec's website at www.landec.com.

Important Cautions Regarding Forward-Looking Statements

Except for the historical information contained herein, the matters discussed in this news release are forward-looking statements that involve certain risks and uncertainties that could cause actual results to differ materially, including such factors among others, as the timing and expenses associated with operations, the ability to achieve acceptance of the Company's new products in the market place, weather conditions that can affect the supply and price of produce, the amount and timing of research and development funding and license fees from the Company's collaborative partners, the timing of regulatory approvals, the mix between domestic and international sales, and the risk factors listed in the Company's Form 10-K for the fiscal year ended May 28, 2017 (See item 1A: Risk Factors) which may be updated in Part II, Item 1A Risk Factors in the Company's Quarterly Reports on Form 10-Q. As a result of these and other factors, the Company expects to continue to experience significant fluctuations in quarterly operating results and there can be no assurance that the Company will remain consistently profitable. The Company undertakes no obligation to update or revise any forward-looking statements whether as a result of new developments or otherwise.

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