



December 8, 2015

## **Landec Corporation Revises Guidance for Second Quarter and Fiscal 2016**

### **Unseasonably Warm Weather Leads to Unprecedented Produce Shortages During Most of October and November**

MENLO PARK, Calif., Dec. 08, 2015 (GLOBE NEWSWIRE) -- Landec Corporation (NASDAQ:LNDC), a leading developer and marketer of innovative and proprietary products for healthy living applications in the food and biomedical markets, has revised its revenue and net income guidance for the fiscal second quarter and fiscal year 2016 due to severe shortages of key produce items caused by unseasonably warm weather during the second quarter ended November 29, 2015.

"During the second quarter of Landec's fiscal year 2016, Apio has been experiencing produce shortages and increased costs in many of our key vegetables due to very poor yields and quality to the extent never seen before in Apio's 35-year history," said Molly Hemmeter, Landec's President and CEO. "Despite our efforts to meet the increasing demand for our products, there is simply not enough supply from our contracted growers, or for purchase on the open market, to meet demand. Shortages have been due to unseasonably warm weather. Our procurement team is working diligently to ensure that Apio continues to supply all demand for our Eat Smart salad kits and vegetable trays, thereby isolating shortages to our fresh-cut bagged vegetable products.

"Many experts in the Western vegetable industry have commented that they have never seen vegetables in such short supply, which has led to exorbitant prices and low quality for many crops. Cauliflower has been the most challenging, with market prices reaching a high of \$47/case compared to a typical average price of \$15-21/case at this time of year. In response to the increased costs for produce, Apio initiated a temporary price increase during the month of November on our fresh vegetable trays and bags, but did not raise prices on Eat Smart salad kits or green bean products. Most of our customers understood the need for this price increase and partnered with us to work through the recent supply challenges.

"As we respond to these short term sourcing challenges, it is important to reaffirm Apio's long term strategy for growth. Apio is committed to delivering a high level of customer service and aggressively innovating new products that are healthy, delicious and convenient. Over time, this strategy will continue to deliver value to our customers, consumers and shareholders. However, due to our inability to meet all demand during this time of severe produce shortage, we expect to lose some customers during the second half of fiscal year 2016, which is reflected in our revised guidance. The loss of these customers will have an impact on revenues during the second half of fiscal year 2016 but should not have a material impact on net income in the second half," added Hemmeter.

"For the second quarter of fiscal 2016, we now expect revenues to increase approximately 6%, and net income to decrease approximately 45% compared to the second quarter of fiscal 2015. For all of fiscal 2016, we are projecting that revenues will increase 3-6%, operating income 25-35% and net income 10-20% compared to fiscal 2015. The revised guidance for fiscal 2016 includes a significant contingency for sourcing issues. However, if El Nino rains have a larger impact on supply in California and Mexico than we are currently estimating, or heavy rains continue in Florida, this contingency may not be sufficient and results could be further affected. We plan to give an update concerning the state of our produce sourcing during our second quarter earnings release in early January 2016. The revised guidance also includes the negative impact of produce issues on Windset and the positive operational results at Lifecore.

"Windset Farms, in which Landec holds a 27% equity ownership, has also had production volumes impacted by the unusually warm weather in California and Mexico, particularly in its Mexican grower marketing programs which are down considerably from contracted volumes. We are estimating that Windset's lower production volumes will reduce the increase in the fair market value of our investment in Windset to an increase of \$1.2 to \$1.4 million in fiscal 2016, down from our original projection of approximately \$4.0 million. Even with the lower fair market value change for this year than originally projected, by fiscal year end 2016 we will have realized a 24% annual return since our original investment in Windset in February 2011," continued Hemmeter.

"Notably, our Lifecore biomaterials business is continuing to have a record year. Compared to fiscal 2015, we now expect Lifecore revenues to increase approximately 25% in fiscal 2016 and operating income to increase 130-140%, up from prior guidance for revenue growth of 20-25% and operating income growth to more than double, and we now expect gross margin to return to historical levels of approximately 45%.

"Importantly, our continued strategy of innovating new products in both our food and biomaterials businesses is working, enabling our projected fiscal 2016 operating income to grow 25-35% and net income to grow 10-20% in spite of the severe

produce shortages in the second quarter and loss of some customers in the second half of fiscal 2016. Lifecore continues to deliver double digit growth and demand for our products at Apio remains strong, particularly for salads. Once we return to full supply we are well positioned for sustained, profitable growth," concluded Hemmeter.

## **About Landec Corporation**

Landec Corporation is a company that leverages its proprietary polymer technologies, application development and capabilities to develop and commercialize new products in food and biomaterials markets. Landec's subsidiary, *Apio*, has become the leader in US fresh-cut specialty packaged vegetables sold in North America based on combining Landec's proprietary food packaging technology and the strength of two major national brands, Eat Smart® and GreenLine®, with the capabilities of large scale processing and national distribution. *Lifecore Biomedical*, a subsidiary of Landec, is a premium supplier of hyaluronan-based materials and medical products to ophthalmic, orthopedic and veterinary markets worldwide. In addition, Lifecore Biomedical provides specialized aseptic fill and finish services in a cGMP (current good manufacturing practices) validated manufacturing facility for supplying commercial, clinical and pre-clinical products. Landec will also periodically work with market-leading companies to develop and commercialize differentiated polymer-based products under R&D and royalty agreements. For more information about the company, visit Landec's website at [www.landec.com](http://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 31, 2015 (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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