



Rayovac Announces Third Quarter Fiscal 2002 Results; Diluted EPS of 32 Cents, Up 14 Percent From Prior Year, Meets First Call Consensus

July 25, 2002

MADISON, Wis., July 25 /PRNewswire-FirstCall/ -- Rayovac Corp. (NYSE: ROV) announced today its fiscal 2002 third quarter diluted earnings per share, before extraordinary item, were up 14 percent over the prior year. For the third quarter, diluted earnings per share increased to 32 cents, meeting First Call consensus, and up from the 28 cents, before extraordinary item, reported for the same year-ago period. Company sales declined eight percent from the same year-ago period.

(Photo: <http://www.newscom.com/cgi-bin/prnh/20020716/ROVLOGO>)

During the quarter, the Company recorded a restructuring charge of \$2.6 million covering costs of further rationalization of manufacturing operations in Latin America. In addition, the Company reported a \$4.1 million net recovery of bad debts resulting from the sale of a majority portion of the Kmart receivable written-off in the quarter ended December 30, 2001.

Excluding the impacts of the restructuring charge (\$1.9 million, net of tax) and the partial recovery of the Kmart receivable (\$2.5 million, net of tax), the Company reported pro forma diluted EPS of 30 cents, down 14 percent compared to the same period a year ago, in line with First Call consensus.

For the third quarter, sales were \$135.4 million, down eight percent from the \$147.0 million reported last year. The majority of the decline in the third quarter was experienced in Latin America (down \$6.2 million from last year), where poor economic conditions, political turmoil and currency devaluations have contributed to a weak consumer products market. In North America, the decline was five percent and was mainly due to lower sales to Kmart, the cautious retail inventory environment and continued category promotional activity.

The market data compiled by Rayovac for the five channel outlets (discount, food, drug, hardware and home centers) for the period ending May 31, 2002, show that Rayovac's U.S. alkaline dollar share was up 0.4 points for the last 12-week and 52-week periods. Rayovac's total general battery dollar share was off 0.2 points over the last 12 weeks, due to a decline in the heavy-duty category partially offset by increases in alkaline and rechargeable categories. For the 52-week period, general battery dollar share was up 0.1 points to 13.0%.

For the third quarter, operating income before special charges increased eight percent to \$23.7 million, compared to \$21.6 million for the same period last year, reflecting a partial recovery on the reserve for the Kmart receivables of \$4.1 million, partially offset by lower sales. Interest expense declined to \$4.0 million compared to \$7.0 million last year benefiting from lower debt levels. Income before extraordinary items increased 27 percent to \$10.3 million, up from \$8.1 million last year. Diluted earnings per share, before extraordinary items, increased 14 percent to 32 cents, up from 28 cents last year.

Third Quarter Results

North American sales were \$100.9 million, down five percent from \$106.4 million last year. Total general battery sales were down 10 percent, reflecting lower alkaline sales mainly due to lower sales to Kmart, a cautious retail environment and lower heavy-duty sales reflecting reduced distribution and general industry trends. Rechargeable battery sales continued their strong growth fueled by the success of the one-hour charging system and were up 32 percent over the same period a year ago.

North America profitability, excluding the Kmart recovery, improved seven percent mainly due to improved gross profit margins and favorable expenses reflecting strict cost controls.

In Latin America, sales declined \$6.2 million to \$22.7 million from \$28.9 million in the same period last year. The sales decline is largely the result of continuing economic declines and political instability in the region, as well as the unfavorable impacts of currency devaluation of \$3.1 million. Latin America profitability declined \$1.1 million, primarily reflecting the lower sales partially offset by cost control initiatives throughout the region.

Europe/Rest of World sales were unchanged versus the same period last year. The profitability, however, decreased mainly due to an unfavorable product mix and higher marketing expenses.

Nine-Month Results

Sales for the nine months ended June 30, 2002 were \$418.4 million, down six percent from \$446.0 million for the same period last year. Alkaline battery sales were up one percent, while rechargeable battery sales rose 13 percent. These gains were largely offset by lower heavy-duty battery sales, in both North America and Latin America. Hearing aid battery sales were up three percent and lighting products were up five percent for the nine-month period.

Operating income before special charges declined to \$40.1 million, compared to \$58.3 million for the same nine-month period last year, mainly as a result of a net \$12.0 million increase in bad debt expense related to the Kmart bankruptcy filing. Interest expense was \$12.2 million, compared to \$22.4 million last year, benefiting from both lower debt levels and lower interest rates. Income before extraordinary items rose 53 percent to \$16.1 million from \$10.5 million last year as restructuring charges were \$10.1 million, net of tax, lower than last year. Diluted earnings per share, before extraordinary items, increased to 50 cents, up from 36 cents last year.

Special Charges

The Company announced a restructuring initiative in Latin America and will record a pretax charge of approximately \$3.0 million to cover the costs of

the program. The restructuring initiatives include the closure of the Company's Santo Domingo, Dominican Republic manufacturing operations, which will be absorbed by the Company's Guatemala City, Guatemala operations. In addition, the Company will begin outsourcing portions of its heavy-duty battery production, currently manufactured at its Mexico City, Mexico location. Of the total, the Company incurred \$2.6 million in the third quarter with the remainder expected to be booked in the balance of calendar 2002. Cash costs of the restructuring are expected to account for approximately \$1.6 million. Savings are estimated at \$1.4 million annually beginning in Fiscal 2003.

Reclassification of Financial Results

During the second quarter, the Company provided reclassified Consolidated Statements of Operations and Consolidated Balance Sheets for each of its fiscal 2001 quarters and its first quarter of fiscal 2002. Please refer to the Company's press release on March 27, 2002 or visit www.rayovac.com for further information. The reclassified Statement of Operations and Balance Sheets reflect required accounting changes following the timely adoption of EITF 00-14, "Accounting for Certain Sales Incentives" and EITF 00-25, "Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor's Products," on January 1, 2002.

The reclassifications do not change the Company's profit from operations, income from continuing operations, net income or net income per common share in 2001 or 2002.

Rayovac is one of the world's leading battery and lighting device companies. The Company also markets the number one selling rechargeable brand of battery and is the world leader in hearing aid batteries. Rayovac trades on the New York Stock Exchange under the ROV symbol.

Certain matters discussed in this news release, with the exception of historical matters, are forward-looking statements within the meaning of the Private Litigation Reform Act of 1995. These statements are subject to a number of risks, uncertainties and other factors that could cause results to differ materially from those anticipated as of the date of this release. Actual results may differ materially from these statements as a result of (1) changes in external competitive market factors, such as introduction of new product features or technological developments, development of new competitors or competitive brands or competitive promotional activity or spending, (2) unanticipated changes in consumer demand for the various types of consumer batteries, (3) unanticipated changes in the general economic conditions where we do business, such as stock market prices, interest rates, inflation and raw material costs, and (4) various other factors, including those discussed herein and those set forth in the Company's most recent Form 10Q, Annual Report on Form 10-K and the prospectus supplement for the Company's most recent offering of its common stock.

RAYOVAC CORPORATION

Condensed Consolidated Statements of Operations For the three month and nine month periods ended June 30, 2002 and July 1,

	2001 (Unaudited)					
	(In millions, except per share amounts)					
	THREE MONTHS			NINE MONTHS		
	F2002	F2001	INC(DEC) %	F2002	F2001	INC(DEC) %
Net sales	\$135.4	\$147.0	(7.9%)	\$418.4	\$446.0	(6.2%)
Cost of goods sold	78.4	85.6		248.7	260.4	
Gross profit	\$57.0	\$61.4	(7.2%)	\$169.7	\$185.6	(8.6%)
Selling	24.8	27.5	---	76.8	85.8	---
General and administrative	5.4 (a)	9.4	---	43.0 (a)	32.5	---
Research and development	3.1	2.9	---	9.8	9.0	---
Total operating expenses	33.3	39.8	---	129.6	127.3	---
Operating income before special charges	\$23.7	\$21.6	9.7%	\$40.1	\$58.3	(31.2%)
Special charges	2.6	2.6	---	2.6	18.8	---
Interest expense	4.0	7.0	---	12.2	22.4	---
Other expense (income), net	0.5	(0.1)	---	0.1	1.0	---
Income before income taxes	\$16.6	\$12.1	37.2%	\$25.2	\$16.1	56.5%
Income tax expense	6.3	4.0	---	9.1	5.6	---
Income before extraordinary item	10.3	8.1	27.2%	16.1	10.5	53.3%

Extraordinary loss, net of tax of \$3.3	---	(5.4)	(b) ---	---	(5.4)	(b) ---
Net income	\$10.3	\$2.7	281.5%	\$16.1	\$5.1	215.7%
Average shares outstanding	31.8	28.1	---	31.8	27.7	---
Income before extraordinary item	\$0.32	\$0.29	---	\$0.51	\$0.38	---
Extraordinary item	---	(0.19)	---	---	(0.20)	---
Basic earnings per share	\$0.32	\$0.10	---	\$0.51	\$0.18	---
Average shares and common stock equivalents outstanding	32.6	29.1	---	32.4	28.8	---
Income before extraordinary item	\$0.32	\$0.28	---	\$0.50	\$0.36	---
Extraordinary item	---	(0.19)	---	---	(0.18)	---
Diluted earnings per share	\$0.32	\$0.09	---	\$0.50	\$0.18	---

(a) -- The three and nine month periods ending June 30, 2002 reflect a bad debt recovery of \$4.1 million and a bad debt reserve, net of recovery, of \$12.0 million, respectively, attributable to the Kmart bankruptcy.

(b) -- The three and nine month periods ending July 1, 2001 reflect an extraordinary loss of \$5.4 million, net of tax, resulting from the premium on the repurchase of \$64.8 million Senior B Subordinated Notes and the related write-off of unamortized debt issuance costs.

RAYOVAC CORPORATION

Supplemental Financial Data For the three and nine month periods ended June 30, 2002 and July 1, 2001

(Unaudited)

(In millions, except per share amounts)

Supplemental Financial Data	F2002	F2001
Cash	\$9.1	\$10.3
Receivables, net	\$121.3	\$135.5
Days Sales Outstanding (c)	81.5	83.9
Inventory, net	\$78.3	\$92.3
Inventory Turnover (d)	4.0	3.7
Total Assets	\$502.5	\$543.3
Total Debt	\$213.5	\$242.9
Total Shareholder's Equity	\$167.5	\$155.9

		THREE MONTHS		NINE MONTHS	
Supplemental Segment Sales & Profitability	F2002	F2001	F2002	F2001	
Net Sales					
North America	\$100.9	\$106.4	\$312.9	\$322.2	
Latin America	22.7	28.9	67.1	88.9	
Europe/ROW	11.8	11.7	38.4	34.9	
Total net sales	\$135.4	\$147.0	\$418.4	\$446.0	

Segment Profit				
North America	\$27.4 (e)	\$21.8	\$52.5 (e)	\$59.4
Latin America	2.4	3.5	6.5	14.9
Europe/ROW	0.8	1.6	3.1	2.9
Total Segment Profit	30.6	26.9	62.1	77.2
Corporate	6.9	5.3	22.0	18.9
Special charges	2.6	2.6	2.6	18.8
Interest expense	4.0	7.0	12.2	22.4
Other expense (income), net	0.5	(0.1)	0.1	1.0
Income before income taxes	\$16.6	\$12.1	\$25.2	\$16.1

(c) -- Reflects net receivables divided by average daily sales during the quarter.

(d) -- Reflects cost of sales (excluding special charges) divided by net inventories multiplied by four.

(e) -- The three and nine months periods ending June 30, 2002 reflect a bad debt recovery of \$4.1 million and a bad debt reserve, net of recovery, of \$12.0 million, respectively, attributable to the Kmart bankruptcy.

RAYOVAC CORPORATION

Supplemental Financial Data For the three and nine month periods ended June 30, 2002 and July 1, 2001

(Unaudited)

(In millions, except per share amounts)

	THREE MONTHS		NINE MONTHS	
	F2002	F2001	F2002	F2001
Net income	\$10.3	\$2.7	\$16.1	\$5.1
Pro forma adjustments (net of tax):				
Extraordinary loss, early retirement of debt	---	5.4	---	5.4
Special charges	1.9	1.4 (f)	1.9	12.0 (f)
Kmart bankruptcy, net of recoveries	(2.5)	---	7.5	---
Goodwill amortization	---	0.3 (g)	---	0.8 (g)
Trade name amortization	---	0.3 (g)	---	1.0 (g)
Pro forma net income	\$9.7	\$10.1	\$25.5	\$24.3
Pro forma diluted EPS	\$0.30	\$0.35	\$0.79	\$0.84
Average shares & equivalents outstanding	32.6	29.1	32.4	28.8
EBITDA without special charges	\$28.1	\$26.8	\$54.5	\$72.8

(f) -- In December 2000, the Company announced a series of initiatives to improve operational efficiencies, match manufacturing capacity to market demands, and better utilize the Company's resources. These initiatives included (1) the closure of the Company's lantern battery and flashlight assembly plant in Wonewoc, Wisconsin, (2) the outsourcing of certain manufacturing operations at the Company's Fennimore, Wisconsin plant to accommodate the installation of a new high speed AA size alkaline battery line, (3)

rationalization of certain packaging operations and product lines, (4) the closure of the Company's zinc carbon manufacturing operations in Tegucigalpa, Honduras, (5) restructuring of the Company's Mexico and European manufacturing and distribution operations and (6) the implementation of an administrative realignment, primarily in the U.S. and Latin America.

- (g) -- Pursuant to Statement 142, the Company ceased amortizing goodwill assets on October 1, 2001. Upon initial application of Statement 142, the Company reassessed the useful lives of its intangible assets and deemed only the trade name asset to have an indefinite useful life because it is expected to generate cash flows indefinitely. Based on this, the Company ceased amortizing the trade name on October 1, 2001 also.

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CAPTION: ROVLOGO RAYOVAC LOGO Rayovac is one of the world's leading battery and lighting device companies. The company also markets the number one selling rechargeable brand of battery and is the world leader in hearing aid batteries. Rayovac trades on the New York Stock Exchange under the ROV symbol. (PRNewsFoto)[TK] MADISON, WI USA 07/16/2002