



dj Orthopedics Announces 2002 First Quarter Financial Results; Company Reports Diluted EPS of \$0.08

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SAN DIEGO, May 2, 2002 (BW HealthWire) -- dj Orthopedics, Inc. (NYSE:DJO), a designer, manufacturer and marketer of products and services for the orthopedic sports medicine market, today announced financial results for the quarter ended March 30, 2002.

Net revenues for the quarter ended March 30, 2002 were \$44.4 million, an increase of 10% compared with net revenues of \$40.3 million reported in the quarter ended March 31, 2001. The first quarter of 2002 contained one less business day than the first quarter of 2001, which represented approximately \$0.7 million in revenue. Net income for the March 30, 2002 quarter was \$1.5 million, or \$0.08 per diluted share, an increase of 11% compared with net income of \$1.3 million for the March 31, 2001 quarter. The March 30, 2002 quarter included \$0.2 million of expenses related to the Company's decision to no longer pursue an acquisition opportunity. Operating results in 2002 reflect changes from 2001 following the Company's reorganization and public offering completed in November of 2001. There is a decrease in net interest expense of \$1.7 million, a tax provision of \$0.9 million in 2002 since the Company became a taxpayer following its reorganization into corporate form in connection with its initial public offering, and the elimination of preferred dividends on the previously outstanding preferred units of the Company's predecessor, which were \$1.5 million in the first quarter of 2001. Additionally, due to the adoption of new accounting rules, amortization of goodwill is no longer permitted, reducing operating expenses by \$0.8 million in the March 30, 2002 quarter as compared to the March 31, 2001 quarter.

Commenting on the Company's recent performance, Les Cross, President and CEO, said, "We are continuing to leverage and support our market leadership position in orthopedic rehabilitation, while executing on our strategic initiatives for entering the repair and regeneration segments. During the first quarter, we met many of our objectives. For example, we successfully introduced several new products on schedule, including the Adjustable OA Defiance™ knee brace, the DonJoy® Shoulder Stabilizer brace and yesterday we announced the introduction of the Alaron Surgical OsteoTrac™ System, a high tibial osteotomy device. We also initiated direct distribution operations in Germany and the United Kingdom at the beginning of the quarter, and these combined operations are proceeding as expected. Additionally, we completed the relocation of our labor intensive soft goods manufacturing operations to Mexico, which we expect will improve our margins as the year progresses."

Net revenues. For the first quarter of 2002, U.S. net revenues, excluding freight revenue, were \$38.0 million and international net revenues, excluding freight revenue, were \$5.2 million. Net revenues by product lines, excluding freight revenue, for the March 30, 2002 quarter were \$17.2 million, \$15.5 million and \$10.6 million for rigid knee bracing, soft goods, and specialty and other complementary orthopedic products, respectively.

Domestic revenues for the Company's core business segments increased by 10% during the 2002 first quarter, which exceeds the overall market growth rate. The Company achieved this growth despite its previously announced third-party hospital distributors' facility consolidations. In further developments during the quarter, nine additional NCAA football teams selected dj Orthopedics as their supplier for prophylactic bracing.

dj Orthopedics reported that international revenues from the combined conversion to direct sales in Germany and the U.K. met its expectations. The Company plans to complete conversion to direct distribution in Canada early this month, and continues to actively conduct due diligence on a possible direct sales distribution opportunity in another international market. As previously announced, the Company reported some softness in international non-direct export sales for the first quarter of 2002 as a result of the management of inventories for certain export markets that were targeted for conversion to direct sales in the current year.

Gross profit. The Company reported a gross margin of 59.7% for the first quarter 2002, compared with a gross margin of 58.4% for the first quarter 2001. The increase in gross margins reflects the movement of soft goods manufacturing to Mexico, and the successful completion of direct sales distribution in Germany and the U.K.

dj Orthopedics is undertaking initiatives focused on leaner company-wide processes, which provide improved service to customers, and result in lower inventories for core rehabilitation products and reduced lead time, down to 24 hours, for customers of the custom Defiance® product line. Among these initiatives is a continuing effort to vertically integrate

selected products and processes. Gross profit by product lines, excluding freight revenue and other costs of goods sold, for the March 30, 2002 quarter was \$12.6 million, \$7.1 million and \$6.1 million for rigid knee bracing, soft goods, and specialty and other complementary orthopedic products, respectively, representing gross profit margins of 73%, 46% and 57%, respectively.

Operating expenses. For the first quarter of 2002, operating expenses as a percentage of revenue were 47%, compared with 44% for the comparable quarter in 2001. The Company's continued support of its growth initiatives, combined with its previously disclosed revenue softness related to its third-party hospital distributors' facility consolidations and certain non-direct export markets, contributed to the general increase in operating expenses as a percentage of revenues in the first quarter of 2002.

New products. In the first quarter of 2002, the Company introduced the Adjustable OA Defiance® custom brace, which is designed for highly active osteoarthritis patients. The Company reported that initial market response has been positive and it expects a growing demand for this product. Additionally, the Company launched a patented shoulder stabilizer brace, which immobilizes and controls the range of motion for patients with shoulder injuries or recovering from shoulder operations.

During the first quarter, the Company continued to take steps to expand its surgical product line and enhance its Alaron Surgical brand. Among these steps was the recent introduction of a full Bilok™ instrument set that enhances the performance of the Company's earlier surgical products. The Company also reported that it continues to make progress toward a regulatory decision on both the Active Knee™ product and its OrthoPulse® bone growth stimulator product. FDA approval, which the Company expects for both products by the end of 2002, should enable the Company to enter a major new market segment.

dj Orthopedics will hold its Annual Meeting of Stockholders on Thursday, June 13, 2002 at the Company's headquarters at 2985 Scott Street, Vista, Calif., beginning at 10:00 a.m. Pacific Time.

dj Orthopedics has scheduled an investor conference call to discuss this announcement beginning at 5:00 p.m. Eastern Time on May 2, 2002. Individuals interested in listening to the conference call may do so by dialing (888) 802-5691 for domestic callers, or (706) 634-0177 for international callers. A telephone replay will be available for 48 hours following the conclusion of the call by dialing (800) 642-1687 for domestic callers, or (706) 645-9291 for international callers, and entering reservation code 3808847. The live conference call also will be available via the Internet at www.djortho.com, and a recording of the call will be available on the Company's Website for 14 days following the completion of the call.

dj Orthopedics, Inc. is a global orthopedic sports medicine company specializing in the design, manufacture and marketing of surgical and non-surgical products and services that repair, regenerate and rehabilitate soft tissue and bone, help protect against injury and treat osteoarthritis of the knee. Its broad range of more than 600 products, many of which are based on proprietary technologies, includes rigid knee braces, soft goods, specialty and other complementary orthopedic products and its recently introduced line of surgical products. These products provide solutions for patients and orthopedic sports medicine professionals throughout the patient's continuum of care. For additional information on the Company, please visit www.djortho.com, or call (866) DJO-INFO (356-4636).

This press release contains or may contain forward-looking statements such as statements regarding the Company's future growth and profitability, growth strategy and trends in the industry in which the Company operates. These forward-looking statements are based on the Company's current expectations and are subject to a number of risks, uncertainties and assumptions. Among the important factors that could cause actual results to differ significantly from those expressed or implied by such forward-looking statements are the risk that we may not be able to successfully implement our business strategy; our limited experience in designing, manufacturing and marketing products for the repair and regeneration segments of the orthopedic sports medicine market; our transition to direct distribution of our products in certain foreign countries; our ability to successfully develop or license and timely introduce and market new products or product enhancements; our dependence on our orthopedic professionals, agents and distributors for marketing our products; risks associated with our acquisition strategy and international operations; competition in our markets; the risk that our quarterly operating results are subject to substantial fluctuations; our high level of indebtedness and the restrictions imposed by the terms of our indebtedness; our ability to generate cash to service our debts; the effects of healthcare reform, managed care and buying groups on prices of our products; the uncertainty of domestic and foreign regulatory clearance and approval of our products; the sensitivity of our business to general economic conditions; uncertainty relating to third party reimbursement; pending litigation; and the other risk factors affecting the Company detailed from time to time in the documents filed by the Company with the Securities and Exchange Commission.

dj Orthopedics, Inc.

Condensed Consolidated Statements of Income
(amounts in thousands, except per share data)

	Three Months Ended	
	March 30, 2002	March 31, 2001
	(Unaudited)	(Unaudited)
Net revenues	\$ 44,439	\$ 40,295
Cost of goods sold	17,896	16,767

Gross profit	26,543	23,528
Operating expenses:		
Sales and marketing	14,267	11,377
General and administrative	6,204	5,491
Research and development	557	666
Total operating expenses	21,028	17,534
Income from operations	5,515	5,994
Interest expense	(3,106)	(4,777)
Interest income	123	86
Discontinued acquisition costs	(155)	--
Income before income taxes	2,377	1,303
Provision for income taxes	(927)	--
Net income	1,450	1,303
Less: Preferred unit dividends and accretion of preferred unit fees	--	(1,527)
Net income (loss) available to common stockholders/members	\$ 1,450	\$ (224)
Weighted average shares outstanding:		
Basic	17,856	N/A
Diluted	18,056	N/A
Net income per share:		
Basic	\$ 0.08	N/A
Diluted	\$ 0.08	N/A
EBITDA data:		
Income from operations	\$ 5,515	\$ 5,994
Depreciation and amortization	1,654	2,110
	\$ 7,169	\$ 8,104

Condensed Consolidated Balance Sheets

(amounts in thousands)

March 30, 2002 December 31, 2001

(Unaudited)

Assets:		
Current assets	\$105,781	\$106,764
Property, plant and equipment, net	15,230	15,343
Intangible assets, net	72,073	70,588
Deferred tax asset, long-term	49,658	49,686
Other assets	5,262	5,541
Total	\$248,004	\$247,922
Liabilities and stockholders' equity:		
Current liabilities	\$ 21,858	\$ 22,868
Long-term obligations, net of current portion	109,383	109,660
Minority interest	178	154
Stockholders' equity	116,585	115,240
Total	\$248,004	\$247,922

dj Orthopedics, Inc.

Segment and Geographical Information

(amounts in thousands)

Three Months Ended

	March 30, 2002	March 31, 2001	% Increase (Decrease)
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Net revenues:			
Rigid knee bracing	\$ 17,177	\$ 15,853	8%
Soft goods	15,492	14,594	6%
Net revenues for reportable segments	32,669	30,447	7%
Specialty and other complementary orthopedic products	10,572	8,608	23%
Freight revenue	1,198	1,240	(3)%
Total consolidated net revenues	\$ 44,439	\$ 40,295	10%
Gross profit:			
Rigid knee bracing	\$ 12,620	\$ 11,223	12%
Soft goods	7,090	6,137	16%

Gross profit for reportable segments	19,710	17,360	14%
Specialty and other complementary orthopedic products	6,060	4,893	24%
Freight revenue	1,198	1,240	(3)%
Other cost of goods sold	(425)	35	(1,314)%
Total consolidated gross profit	\$ 26,543	\$ 23,528	13%
	Three Months Ended		
	March 30,	March 31,	
	2002	2001	
United States	\$ 38,002	\$ 34,449	10%
Europe	3,233	2,739	18%
Other countries	2,006	1,867	7%
Freight revenue	1,198	1,240	(3)%
Total consolidated net revenues	\$ 44,439	\$ 40,295	10%

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