



Perrigo Co. plc (PRGO)

Updated May 16th, 2025 by Nathan Parsh

Key Metrics

Current Price:	\$27	5 Year CAGR Estimate:	13.8%	Market Cap:	\$3.6 B
Fair Value Price:	\$39	5 Year Growth Estimate:	3.0%	Ex-Dividend Date:	05/30/25
% Fair Value:	69%	5 Year Valuation Multiple Estimate:	7.6%	Dividend Payment Date:	06/17/25
Dividend Yield:	4.3%	5 Year Price Target	\$45	Years Of Dividend Growth:	23
Dividend Risk Score:	C	Sector:	Health Care	Rating:	Hold

Perrigo's history goes all the way back to 1887 when Luther Perrigo, the proprietor of a general store and apple-drying business, had the idea to package and distribute patented medicines and household items for country stores. Today, Perrigo is headquartered in Ireland. It operates in the healthcare sector as a manufacturer of over-the-counter consumer products. Its Consumer Self-Care Americas segment is comprised of the U.S., Mexico and Canada consumer healthcare businesses. The Consumer Self-Care International segment includes branded consumer healthcare business primarily in Europe, but also Australia and Israel. The company generates ~\$4.4 billion in annual revenue.

On February 19th, 2025, Perrigo announced that it was raising its quarterly dividend 5.1% to \$0.29, extending the company's dividend growth streak to 23 consecutive years.

On May 7th, 2025, Perrigo reported first quarter results for the period ending March 31st, 2025. For the quarter, revenue declined 3.7% to \$1.04 billion, which was \$43 million below estimates. Adjusted earnings-per-share of \$0.60 compared very favorably to \$0.29 in the prior year and was \$0.03 ahead of estimates.

Much of the decline in revenue was related to divested business, exited product lines, and unfavorable currency exchange rates. Organic revenue decreased 0.4% for the quarter. Consumer Self-Care Americas' organic revenue fell 3.6% as improvements in Nutrition and Upper Respiratory were more than offset by the divesting of lower margin products, the stocking up of pregnancy prevention products in the prior year, and weaker demand for Digestive Health. Consumer Self-Care International's organic sales were up 4.5%, mostly due to gains in the Upper Respiratory, Healthy Lifestyle, and Pain & Sleep-Aids categories. The company announced a cost savings program in Q4 2023 called "Project Energize" that is projected to create pre-tax savings of \$140 million to \$170 million by 2026. In 2024, the company realized \$159 million of savings with \$20 million reinvested in the business. The adjusted gross margin contracted improved 440 basis points to 41% in Q1.

Perrigo provided an updated outlook for 2025 as well. The company now expects organic revenue growth to be a range of 1.5% to 4.5% compared to 2.5% to 4.5% previously. Adjusted earnings-per-share is still projected to be in a range of \$2.90 to \$3.10 per share for the year.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$7.24	\$5.07	\$4.93	\$4.55	\$4.03	\$4.02	\$2.06	\$2.07	\$2.58	\$2.57	\$3.00	\$3.48
DPS	\$0.46	\$0.58	\$0.64	\$0.76	\$0.84	\$0.90	\$0.96	\$1.04	\$1.09	\$1.10	\$1.16	\$1.34
Shares¹	146	143	141	138	137	136	134	135	136	138	138	135

Perrigo grew earnings at a rapid pace in the years after the Great Recession ended. However, earnings have declined precipitously since 2015. Perrigo's problems started in 2013, when the company acquired biotechnology company Elan for nearly \$7 billion. This huge acquisition saddled Perrigo with lots of debt, and greatly expanded the company's pharmaceutical business—at just the wrong time. Falling drug prices and the recent backlash against opioids in the U.S. has caused a significant deterioration in Perrigo's earnings growth. In response, the company has scaled back its pharmaceutical operations. Consumer health products now represent the vast majority of total revenue. And, the

¹ In millions of shares

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company divested its pharmaceutical segment to further focus on consumer products. Focusing on consumer products will add stability to Perrigo, but these products typically grow at a lower rate than pharmaceuticals. Overall, we expect 3% annual earnings growth through 2030, down from 5% previously.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2023	Now	2030
Avg. P/E	22.6	20.7	15.8	16.5	12.3	12.9	18.9	16.5	12.5	10.0	9.0	13.0
Avg. Yld.	0.3%	0.6%	0.8%	1.0%	1.7%	1.7%	2.5%	3.1%	3.4%	4.3%	4.3%	3.0%

Shares have declined \$1, or 3.6%, since our March 10th, 2025 report. Over the past 10 years, Perrigo stock traded for an average price-to-earnings ratio of 15.9. Investors should note that the 10-year average valuation includes several years of high earnings growth, which justified a valuation above 20. But the earnings decline in recent years and expectations for future growth do not justify a price-to-earnings ratio above 20 in our opinion. Based on earnings-per-share guidance for 2025, the stock has a P/E of 9.0. We are reaffirming our target price-to-earnings ratio to 13 from 15, as the company’s long-term performance has been weak. Reverting to our valuation target by 2030 would result in a 7.6% tailwind to annual returns over this period.

Safety, Quality, Competitive Advantage, & Recession Resiliency

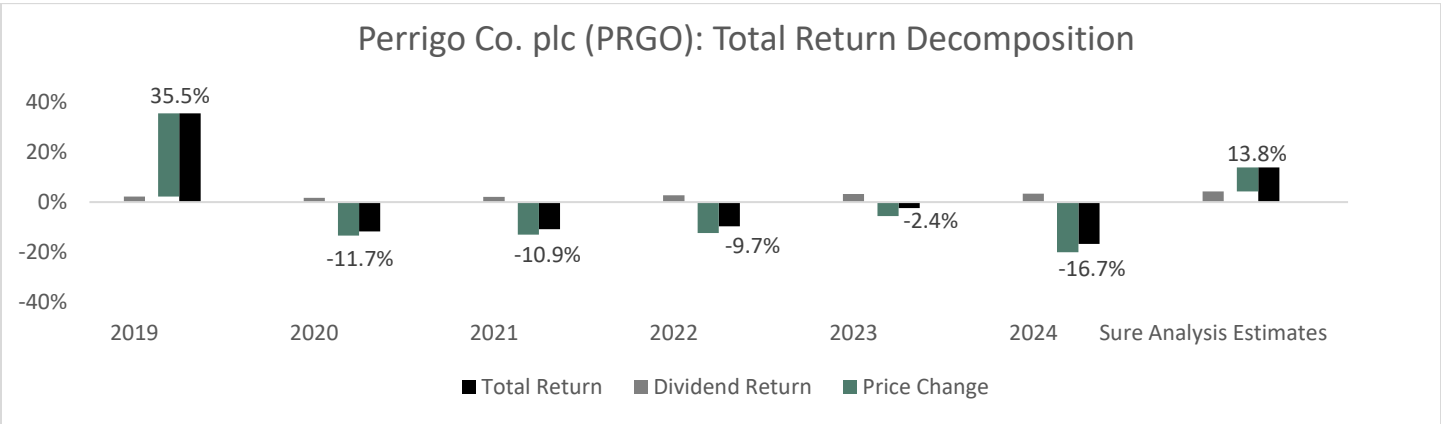
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	6%	11%	13%	17%	21%	22%	47%	50%	42%	43%	39%	39%

Perrigo does not rank highly in terms of safety. The debt incurred from the Elan acquisition caused its interest coverage ratio to erode significantly in recent years. That said, the company does have a significant competitive advantage. Perrigo is one of the largest manufacturers of OTC products, which gives it a leading position in its key markets. It also should perform well in a recession as these product categories tend to hold up, even if the economy enters a downturn. Perrigo’s dividend also appears to be safe. The expected payout ratio for 2025 is below 40%, which indicates a sustainable dividend payout, with room for future increases as the company is highly profitable.

Final Thoughts & Recommendation

Perrigo is projected to return 13.8% annually over the next five years, up from 13.0% previously. This projected return stems from a 3% earnings growth rate, a starting dividend yield of 4.3%, and a high single-digit contribution from multiple expansion. Perrigo’s segment results remain challenged, with the international business continuing to outperform the Americas. We reaffirm our five-year price target of \$45 due to guidance for the year. We now rate shares of Perrigo as a hold due to a weak dividend risk score.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	2,632	5,281	4,946	4,732	3,870	4,088	4,139	4,452	4,656	4,373
Gross Profit	1,079	2,052	1,980	1,832	1,434	1,495	1,416	1,455	1,680	1,543
Gross Margin	41.0%	38.9%	40.0%	38.7%	37.0%	36.6%	34.2%	32.7%	36.1%	35.3%
SG&A Exp.	681	1,206	1,147	1,126	1,097	1,109	1,111	1,210	1,275	1,113
D&A Exp.	182	457	445	424	397	385	312	339	360	326
Operating Profit	310	662	707	482	214	268	600	121	284	312
Operating Margin	11.8%	12.5%	14.3%	10.2%	5.5%	6.6%	14.5%	2.7%	6.1%	7.1%
Net Profit	43	(4,013)	120	131	146	(163)	(69)	(141)	(13)	(172)
Net Margin	1.6%	-76.0%	2.4%	2.8%	3.8%	-4.0%	-1.7%	-3.2%	-0.3%	-3.9%
Free Cash Flow	123	549	610	490	250	466	4	211	304	245
Income Tax	(34)	(836)	161	160	(11)	(38)	390	(8)	(4)	80

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	19,350	13,870	11,629	10,983	11,301	11,488	10,426	11,017	10,809	9,648
Cash & Equivalents	418	622	679	551	354	632	1,865	601	751	559
Accounts Receivable	1,189	1,176	1,131	1,073	1,243	594	653	697	740	642
Inventories	899	795	807	878	967	1,059	1,020	1,150	1,141	1,082
Goodwill & Int. Ass.	10,042	7,561	7,556	6,888	7,107	5,584	5,151	6,779	6,515	5,749
Total Liabilities	9,243	7,913	5,458	5,315	5,497	5,833	5,274	6,175	6,041	5,328
Accounts Payable	556	472	450	475	520	452	411	537	478	495
Long-Term Debt	6,032	5,797	3,341	3,242	3,369	3,565	3,521	4,107	4,073	3,618
Shareholder's Equity	10,107	5,958	6,171	5,668	5,804	5,655	5,152	4,842	4,768	4,319
LTD/E Ratio	0.60	0.97	0.54	0.57	0.58	0.63	0.68	0.85	0.85	0.84

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	0.2%	-24.2%	0.9%	1.2%	1.3%	-1.4%	-0.6%	-1.3%	-0.1%	-1.7%
Return on Equity	0.4%	-50.0%	2.0%	2.2%	2.5%	-2.8%	-1.3%	-2.8%	-0.3%	-3.8%
ROIC	0.3%	-28.8%	1.1%	1.4%	1.6%	-1.8%	-0.8%	-1.6%	-0.1%	-2.0%
Shares Out.	146	143	141	138	137	136	134	135	136	138
Revenue/Share	18.02	36.85	34.69	34.21	28.35	29.80	30.98	33.10	34.41	31.83
FCF/Share	0.84	3.83	4.28	3.55	1.83	3.40	0.03	1.57	2.25	1.78

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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