

## AmeriSource Net Income Up 23% and Board Declares Two-for-One Stock Split

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Business Editors

MALVERN, Pa.--(BUSINESS WIRE)--Jan. 26, 1999--

### Expanding Margins Drive Earnings Improvement

AmeriSource Health Corp. (NYSE: AAS) one of the nation's leading wholesale distributors of pharmaceuticals, Tuesday reported substantially higher earnings for the first quarter of its fiscal year 1999.

For the three months ended Dec. 31, 1998, net income increased 23% to \$17.8 million versus \$14.5 million for the same period last year. Diluted earnings per share exceeded analysts' expectations at \$.73, an increase of 22% from \$.60 per share earned one year ago. These results mark a continuation of the Company's strong history of earnings per share growth of 20% or greater.

Revenue for the quarter was \$2.2 billion compared to \$2.3 billion one year ago. The slight decrease of 4% reflected last year's termination of service contracts with two major warehousing chain customers and one large mail order customer whose purchases resulted in operating margins below the Company's average.

For the first quarter of fiscal 1999, gross margin as a percentage of operating revenue increased to 4.71% as compared to 4.68% for the same period one year ago. This increase reflects changes in customer mix.

The Company's operating margin expanded in the first quarter to 1.71% of operating revenue versus 1.61% a year ago. Operating expenses were 3.00% of operating revenue compared to 3.07% for the same period last year.

Reflecting continued disciplined capital usage, the Company's interest expense showed a significant decrease of 36% to \$8.1 million as compared to \$12.7 million for the same quarter last year. The Company's return on committed capital remained strong at 25.3%, again exceeding stated goals of 20% or greater.

R. David Yost, AmeriSource President and CEO said, "The significant and recent awards of the Veterans Affairs and Premier contracts is strong evidence that our core competencies and operating model are right for the market. AmeriSource is keenly focused on locally-driven customer responsiveness supported by a low-cost national distribution platform. When combined with our portfolio of technology and value-added service offerings, we have a winning combination for the healthcare market. We expect these extremely valuable contracts to further support our growing momentum and to strengthen our financial prospects for the remainder of 1999."

Reflecting the strong confidence in the Company's future prospects, AmeriSource's Board of Directors today approved a two-for-one stock split, subject to shareholders authorizing additional shares. Shareholders will receive one additional share for each share held on the anticipated record date of March 3, 1999.

As of Dec. 31, 1998, AmeriSource had approximately 24.4 million diluted shares outstanding and that number will increase to approximately 48.8 million. Shares resulting from the split will be distributed by the Company's transfer agent, Chase Mellon Securities.

R. David Yost added, "Since our public offering nearly four years ago, our stock value has increased at a compounded annual growth rate of 42%. This decision affirms the Company's strong fundamental outlook. Historically, AmeriSource's stock has been thinly traded, and this action will provide an opportunity for us to reach a broader investor base and will help to improve the overall liquidity of our stock."

In addition, after the close of the market today, AmeriSource filed a registration statement with the Securities and Exchange Commission (SEC) covering the sale of six million shares of common stock held by Citicorp Venture Capital, Ltd. (CVC). After the intended sale of such shares, CVC would own approximately 720,000 shares of AmeriSource common stock.

No shares of common stock will be sold by the company in the offering. Assuming no review by the SEC, the Company expects to complete the offering by mid-February.

Commenting on these developments, Yost said, "We expect that our recently announced management changes in combination with our recent contract wins and our announced actions to broaden our shareholder base, will serve to strengthen AmeriSource's long-term growth prospects and further maximize shareholder value. We expect to continue our history of strong earnings growth through strengthened operating performance in a very attractive industry."

AmeriSource Health Corp. is a Fortune 200 company with revenue of \$8.7 billion for fiscal year 1998. The Company, one of the nation's leading pharmaceutical distributors, serves customers nationwide from a network of 23 strategically-located distribution centers. News and additional information about AmeriSource are available at [www.AmeriSource.com](http://www.AmeriSource.com)

Attachments: AmeriSource Health Corp. Financial Summary  
AmeriSource Health Corp. Consolidated Balance Sheets

Certain information contained in this press release includes forward-looking statements (as defined in Section 27-A of the

Securities Act and Section 21-E of the Exchange Act) that reflect the Company's current views with respect to future events and financial performance.

Certain factors such as changes in competitive pressures, success of strategic initiatives, continued industry consolidation, customer mix and other matters contained in the Company's Form 10-K for its 1998 fiscal year and other public documents could cause actual results to differ materially from those in the forward looking statements.

The Company assumes no obligation to update the matters discussed in this press release.

AMERISOURCE HEALTH CORPORATION  
 FINANCIAL SUMMARY  
 (In thousands, except per share data)  
 (unaudited)

	Three Months Ended Dec. 31, 1998	% of Operating Revenue	Three Months Ended Dec. 31, 1997	% of Operating Revenue	% Change
Revenue:					
Operating revenue	\$2,160,904	100.00%	\$2,254,560	100.00%	-4%
Bulk deliveries to customer warehouses	8,762		24,998		
Total revenue	2,169,666		2,279,558		
Cost of goods sold:					
Operating cost of goods sold	2,059,211	95.29%	2,148,954	95.32%	-4%
Cost of goods sold - bulk deliveries	8,762		24,998		
Total cost of goods sold	2,067,973		2,173,952		
Gross profit	101,693	4.71%	105,606	4.68%	-4%
Operating expenses:					
Selling and administrative	61,013	2.82%	65,765	2.92%	-7%
Depreciation	3,500	0.16%	3,155	0.14%	11%
Amortization	256	0.01%	282	0.01%	-9%
Operating income	36,924	1.71%	36,404	1.61%	1%
Interest expense	8,141	0.38%	12,662	0.56%	-36%
Income before taxes	28,783	1.33%	23,742	1.05%	21%
Taxes on income	10,938	0.51%	9,259	0.41%	18%
Net income	\$17,845	0.83%	\$14,483	0.64%	23%

Earnings per share:			
Basic	\$0.74		\$0.61
Assuming dilution	0.73		0.60

Weighted average common shares outstanding:			
Basic	24,184		23,856
Assuming dilution	24,434		24,224

AMERISOURCE HEALTH CORPORATION  
CONSOLIDATED BALANCE SHEETS  
(dollars in thousands)

ASSETS (unaudited)	Dec. 31, 1998	Sept. 30, 1998	Increase (Decrease)
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Current assets:			
Cash and cash equivalents	\$44,406	\$48,461	(\$4,055)
Restricted cash	31,526	37,044	(5,518)
Accounts receivable, less allowance for doubtful accounts	522,044	458,238	63,806
Merchandise inventories	1,066,567	870,223	196,344
Prepaid expenses and other	3,150	4,356	(1,206)
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Total current assets	1,667,693	1,418,322	249,371
Property and equipment, net	59,851	60,789	(938)
Other assets, less accumulated amortization	79,374	73,171	6,203
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Total assets	\$1,806,918	\$1,552,282	\$254,636
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LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:			
Accounts payable	\$908,529	\$873,181	\$35,348
Accrued			

expenses and other	42,158	48,532	(6,374)
Accrued income taxes	11,629	78	11,551
Deferred income taxes	97,430	93,385	4,045
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Total current liabilities	1,059,746	1,015,176	44,570
Long-term debt:			
Revolving credit facility	331,660	145,000	186,660
Receivables securitization financing	299,956	299,948	8
Other debt	8,654	8,813	(159)
Other liabilities	8,730	8,036	694
Stockholders' equity:			
Common stock and capital in excess of par value	249,956	244,938	5,018
Retained earnings (deficit)	(145,564)	(163,409)	17,845
Cost of common stock in treasury	(6,220)	(6,220)	0
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Total stockholders' equity	98,172	75,309	22,863
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Total liabilities and stockholders' equity	\$1,806,918	\$1,552,282	\$254,636
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