

BN Cardinal Earnings Are Below Analysts' Estimates (Update4)
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(Adds CEO Walter's comments in sixth paragraph.)

By John Lauerman

June 30 (Bloomberg) -- Cardinal Health Inc., the second-biggest U.S. drug wholesaler, said fourth-quarter earnings didn't meet analysts' estimates and disclosed that federal regulators had subpoenaed the company in an accounting probe.

Fourth-quarter earnings per share, excluding some items, were 93 cents to 95 cents per share, the Dublin, Ohio-based company said in a statement. The average estimate of 16 analysts surveyed by Thomson Financial was \$1.03.

The U.S. Securities and Exchange Commission last month formalized its probe of the company's accounting of \$22 million last month that was recovered from vitamin makers accused by the company of overcharging. The U.S. Attorney's Office for the Southern District of New York began a separate inquiry into the same subject, Cardinal said in the statement.

``If a company announces on the same day that they are going to lower their earnings guidance and they have two investigations going on?'' said Michael Obuchowski, who helps manage about \$35 million for Altanes Investments in New York. ``I would stay away from the company until at least there's more clarity on what is coming out of the investigation and earnings growth.''

Obuchowski said he sold his Cardinal shares more than a year ago because the business wasn't expanding fast enough. Cardinal is conducting its own inquiry and is responding to the SEC's inquiries, the company said in a statement.

Shares Fall

Earnings were affected as the company adjusts to new rules in drugmaker contracts that reduce distributors' ability to make money from price increases on medicines, Robert Walter, Cardinal's chief executive officer, told investors on a conference call. Delays in regulatory approvals for company plants used for manufacturing sterile products also hurt earnings, he said.

Excluding some items, per-share earnings for fiscal 2004, ended today, were \$3.53 to \$3.55 a share, the company said. The average estimate of 17 analysts surveyed by Thomson Financial was \$3.63 a share.

Fourth-quarter net income in fiscal 2003 was 81 cents a share, and \$3.10 a share for the year.

The announcement was made after U.S. markets closed. Shares

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of Cardinal fell as much as \$8.79, or 13 percent, to \$62.77 in late trading on the New York Stock Exchange. Earlier the shares gained 55 cents to close at \$70.05.

``Earnings will be below our prior expectations and Cardinal's high standards for performance,'' Walter said. ``I'm very disappointed. We didn't meet our goals and we're communicating that today.''

``Our management incentive compensation has been adjusted downward to reflect our performance being below our high standard,'' Walter said.

(Cardinal's conference call began at 6 p.m. New York time at (1) (706) 634-5100 or click on <http://www.cardinal.com>.)

--With reporting by Nicole Ostrow. Editor: Gienger, Barry.

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