**Financial Analysis Assignment**

Jalan Neal

**Table of Contents.**

**3-9 Business Letter**

**10 References**

**11 Perrigo Horizontal Analysis**

**12 Therapeutics Horizontal Analysis**

**13-15 Vertical Analysis for both companies**

**16 Therapeutics Ratio Analysis**

**17 Perrigo Ratio Analysis**

**18 Graph of both companies Net Sales**

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Ms. Ima Rich

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Dear Ms. Ima Rich,

The Smart Aggies Financial Services are pleased to inform you of our extensive research of the two companies in the pharmaceutical industry. We know that you plan on investing $15 million long-term, so we chose an industry we felt had the stability and progress to grow. The pharmaceutical industry is the discovery, development, and manufacture of drugs and medications by public and private organizations (Dailey). We narrowed down to two companies that are prominent in the industry and have promising potential. The two companies we chose to analyze are Perrigo PLC and TherapeuticsMD. “Perrigo Company plc is an American Irish–registered manufacturer of private label over-the-counter pharmaceuticals. The majority of Perrigo’s sales are from the United States healthcare system; however, Perrigo PLC is headquartered in Ireland for tax purposes” (Perrigo). TherapeuticsMD has a more niche market. TherapeuticsMD is commercialized exclusively for women. TherapeuticsMD deals with women’s health care products that deal with things such as childbirth, pregnancy, pre- and post-menopause, and nursing care ([Farooqui](https://finpedia.co/bin/XWiki/AsifF), 2020). Both companies are in the same industry, however they have completely different markets. One company deals with over-the-counter medications, and the other deals specifically with the health and well-being of women.

         There are a few trends affecting the pharmaceutical industry. With multiple advancements in technology the pharmaceutical industry is expected to take huge leaps. The presence of artificial intelligence and the innovations surrounding 3D printed drugs are current and active trends in the pharmaceutical industry.  For example, a [recent report](https://www.prnewswire.com/news-releases/ai-in-healthcare-market-worth-31-3-billion-by-2025-grand-view-research-inc-300975059.html) forecasts the global artificial intelligence in healthcare market size to reach the USD 31.3 billion bar by 2025, growing at a compound annual growth rate (CAGR) of 41.5% over a forecast period (The Medical Futurist). There are a few other trends positively impacting the industry, such as patient involvement in advisory boards, high tech distribution, improvements to supply chain, and developing new drug strategies to maximize profits and performance. Furthermore, we must unravel the impact and prevalence of the ongoing pandemic. We take a look at how Covid-19 has impacted the operations, sales, and business acumen of the two companies in question. The Smart Aggies Financial Services conducted many financial analyses to judge the performance and trajectory of Perrigo PLC and TherapeuticsMD. A horizontal analysis, vertical analysis, and ratio analysis were all performed for each of the two companies. This will expose how each company has performed in recent years and how they responded to the trends and circumstances discussed prior.

         For the constructed horizontal analysis, it was quite clear which company had more potential. Both companies had the base year of 2016 to start off with in the horizontal analysis. Perrigo PLC has been on a slight and inconsistent decline in the following years from 2016 to 2020 in terms of net sales. Their most successful year since 2016 was 2020 with them only receiving about 95.9% of what they received in 2016. Perrigo’s lowest mark in the analysis was in 2018, with them only receiving 89.6% of what they received in 2016. 2017 and 2019 were both also years where they underperformed in comparison of the base period. Things may not seem too impressive for Perrigo’s net sales, but in comparison to TherapeuticsMD, they have had a much larger number of net sales in their base year. Perrigo has more of a head start in sales, but they also have a lot more to lose. TherapeuticsMD may have started small in contrast to Perrigo, but their rate of growth from 2016 has been sporadic and exceptional. Therapeutics net sales after the first couple years from the base period were underwhelming. TherapeuticsMD nets sales reach lows even worse than Perrigo in terms of the comparison of the base year. They only received about 87% in 2017, and 83% in the following year in 2018. However, their net sales made a huge jump in 2019 and 2020.  In 2019 their net sales improved by 176%, and then another huge increase in 2020 by 324.5% in comparison to the base period of 2016. Therapeutics improvement in net sales has been sensational and we must consider how much longer it can grow and such an increasing rate. This knocks out the concern of Therapeutics having to play catch up with Perrigo’s net sales. The growth of Therapeutics puts them in the driver seat of the better option to invest.

         Other than having a better start, Perrigo does have another positive to consider when making the investment decision. Perrigo has been great at limiting their liabilities while also increasing their amount of assets. The horizontal analysis has shown that Perrigo is more predictable and consistent overall than Therapeutics. Depending on how you want to look at the numbers and analysis giving, you should consider the risk and the worthiness of said risk. TherapeuticsMD has shown great promise, but there is no set-in stone indicator that shows that they can’t fall just as hard as they’ve risen, especially with the company having such a niche market. Therapeutics is on the opposite side of the spectrum when it comes to managing their assets and liabilities. Therapeutics assets in all categories decrease, while simultaneously increasing their amount of liabilities.

Currently we see a pro and con for picking either of these companies based upon the horizontal analysis, however, what both companies have in common is that there is a decrease in their net income from the previous year given in the analysis. Both companies suffer significant drops in net income. Despite Perrigo being the more consistent company, we must consider how this will affect their future and our decision of what company to choose. Therapeutics has proven to be a way riskier choice, but the upside towards choosing them is extremely more beneficial and advantageous. The Smart Aggies Financial services considers this a more favorable situation for Therapeutics, being that have been on a continuous growth since 2018. However, Perrigo’s reputation of managing their assets and never dropping to the lows of Therapeutics shows that they could be the more reliable and safe choice, and that they could get themselves out of hot water if problems were to possibly occur. Therefore, we need to conduct multiple analyses to ensure you and give you the confidence of what company to choose.

Look at the vertical analysis of the balance sheet you will see most of TherapeuticsMD total assets are current assets. These assets should be able to cover their short-term financial obligation and day-to-day operation. If the company cannot make dues in the short run, it will not be able to survive in the long run, but TherapeuticsMD has that covered.  2018 current assets were 88 % of total assets, from that to 78.4 % in 2019, and then it was 75% in 2020. Yes, the percentage is decreasing but while it’s going down other asset categories are also increasing. Property, plant, and equipment for instance went from .2% in 2018, 4.7% 2019, to 6% in 2020. Intangible assets also went up from 11% in 2018 to 23% in 2020. This shows the company putting more attention on long-term assets. Additional paid-in capital seems to increase with each year 244% in 2018 to 313% in 2020, an implication that they are issuing more stocks over the face value. What this means for Mr. Ima Rich is that the stock is increasing in value. In those same years liabilities for TherapeuticsMD were 61%,97%, and 151% of total liabilities and owner's equity In Perrigo case, in 2018 current assets were 26% of total assets, from that to 24 % in 2019, and then it was 27% in 2020. Total liabilities were 53%, 50%, and 51% of total liabilities and owner's equity in the years ending 2020,2019, and 2018.

         When you look at the TherapeuticsMD vertical analysis of income statements you can see that net sales are steadily increasing. in 2018 it was $16.1 million, a big jump to $49.7 million in 2019, and then $64.9 million in 2020. Of course, if you are selling more products the cost to sell these products will also increase. As you can see, the vertical analysis cost of sales for TherapeuticsMD, as a percentage of the net sale, went from 17% in 2018, dropped down to 13% in 2019, went back up to 25% in 2020. Perrigo has a much larger net sales in terms of dollars, but when you look at gross profit as a percent of net sales, TherapeuticsMD becomes a lot more intriguing. In 2018 gross profit for TherapeuticsMD was 83%, 87% in 2019, and 75 % in 2020. Change in their gross profit is mostly due to change in “product mix and its related costs including inventory charge, amortization of license fee and royalty fees” (SEC). For Perrigo gross profit was 39% in 2018, 37% in 2019, and 36% in 2020. These percentages are also the gross profit margin, and they show that TherapeuticsMD revenues are much higher than the cost of goods sold. It indicates that the company is receiving a lot of profit from producing products like Annovera and Bijuva.

TherapeuticsMD is still in the growth stage of their business and they are relatively small with only around 400 employees (Shah, Ambrish). In fact, they are much smaller than Perrigo who has more than “11,500 full-time and part-time employees spread across 34 countries” (SEC). TherapeuticsMD is at the point where they’re still trying to find their place in the market and be recognized by the public. Still, they show a lot of potential for growth. TherapeuticsMD operates in the women’s health care market where the market is “projected to reach $41.2 billion by 2025 from $ 31.5 billion in 2019” (Women's Health Care Market). The growth in the women health care market is mostly because of the “growing incidence of chronic health conditions among women, government initiatives to curb population growth, and growing demand for contraceptives to prevent unintended pregnancies, and the increased focus on research and development for such products” (Women's Health Care Market). Also, as you know, TherapeuticsMD operates mostly in the United States according to research done in 2018 “North America, US and Canada, was the largest and fastest-growing market for women’s healthcare “(Women's Health Care Market). This is mainly because of postmenopausal osteoporosis, increasing median age of first-time pregnancies, and increased healthcare spending in the US and Canada (Women's Health Care Market). All this shows is that TherapeuticsMD is in a relevant market at a good time where we are continuously searching for better health care for women.

  In terms of company performance, TherapeuticsMD has recurring net losses, as most firms in this industry do. For the years ended December 31, 2020, 2019, and 2018 they incurred $184 million, $176 million, and $133 million (SEC). These deficits are because TherapeuticsMD is operating in a relatively new area and needs a lot of money for the development, commercialization, research, and clinical trial activities of current and future pharmaceutical products (SEC). These numbers may be alarming but when you look at their revenues it shows a lot of future potentials. total revenue during 2020 increased by about $28,731,000 (84%) to $62,872,000, it was approximately $34,141,000 the year before. This increase is mainly because of a jump in sales of IMVEXXY, BIJUVA, and ANNOVERA during 2020 (SEC). For comparison purposes, Perrigo ended the year 2020 with a 162.6 million net loss.  Net sales increased $225.9 million (5%) from 2019 to 2020, and $105.7 million 2%, from 2018 to 2019. As you see TherapeuticsMD rate is much higher, meaning much faster growth.

The prices of the stocks explain the difference between the two companies. TherapeuticsMD, price has been flexible around 1.20, while Perrigo stock prices have been fluctuating in the low 40’s the past three months. I think it is important to think about the best possible way to make the most money with a stock. Both healthcare companies are growing companies that have better days in the future.

As Perrigo being the bigger company and still expanding, they are bound to have stipulations that are prohibiting them from doing what they perceive as best for the company. For example, Perrigo is in tax disputes in multiple states. That is a showing sign of where some of the company’s money is going. The company has been successful enough to not worry about the court fees, it’s just disheartening to see a company not spending their money in constructive and progressive ways. TherapeuticsMD has put itself in a situation that’s fairly risky. They are connected to distributors of their product by a contract that involves selling their prescriptions.  For example, the company has a prescription drug named “ANNOVERA '' they have invested a lot of money into the success of this drug. The thing is, they will have to pay the distribution company, if the drug is not successful. They have other drugs that put them in the same position. The company has a minimum amount of drugs that can be sold without having to pay a fee. They are quite literally, betting that that the drug sells a certain amount, or they’ll have to pay for it. Yes, you need to be prepared for the worse, and for TherapeuticsMD, not selling enough of their prescription drugs are scary for the business but the fact is, the business was affected by the pandemic and once it is over, TherapeuticsMD will be better off, as will most businesses.

         Perrigo was affected positively by the coronavirus, at the start of the pandemic. It’s believed to be because of the need for baby food. The company saw a demand in baby food but, after a little time, the demand was not as strong. This is important because every company was affected by the coronavirus in some way. Some were lucky enough to be positively affected by it, people needed some items in high demand once the pandemic started. TherapeuticsMD was affected by the pandemic, but things didn’t go as well for the company. The pandemic halted sales from even starting. The drug I mentioned earlier, “ANNOVERA'', released after the pandemic started, and the demand for certain things increased, and for “ANNOVERA” they have not had the best release year up to this point. This was put in my face when comparing the inventory between the two companies. TherapeuticsMD and Perrigo’s Days in Inventory are complete opposites. It might have to do with the size of the company. TherapeuticsMD Days in Inventory are roughly 182 days out of 365. That means that the company has a problem with getting rid of their products. Perrigo’s Days in Inventory were roughly two days out of the year. There are many aspects as to why this is, and the size of companies is one. Perrigo also has more products to advertise and sell, while TherapeuticsMD, is strictly for women products. Perrigo is looking into moving into the CBD market, and we know with the legalization or decriminalization of marijuana, CBD is a growing market. They seem to have the money and experience to be competitive in any field they decide to go in, but I can’t help to think they may be spreading themselves thin. A lot of businesses are trying to rush to get into the CBD business before marijuana is legalized but that doesn’t mean every business will be able to profit off of it.  Being able to have a choice to get involved in CBD, is how Perrigo is the more established company and are well equipped to pay off any liabilities, like those tax disputes. TherapeuticsMD hasn’t grown enough. Perrigo was founded in the 1800’ths, 1887. TherapeuticsMD was founded in 2008. The experience that Perrigo has is shown throughout looking into the assets and liabilities, as well. Perrigo has more than 100 million more in working capital. Another example of their experience being a big factor, is that Perrigo pays dividends to their stockholders’, while TherapeuticsMD does not.

The Solvency Ratio for the two companies was completely different. TherapeuticsMD, had lots of debt, while Perrigo, has a control on their debt. TherapeuticsMD Debt to Assets Ratio is 168 percent. This is most likely because of the distribution contracts that TherapeuticsMD have. The company’s prescription drugs were slowly becoming more popular before the pandemic but not fast enough. The debt is not all bad though. It does mean that the company has a great chance to have a great year because of paying off debt at the moment. Perrigo’s Solvency Ratio was 50.70% which is a testament to the company's longevity. They have accumulated the resources to survive any harsh situations that come their way. The Gross Profit is another example of the difference between the two companies. TherapeuticsMD gross profit was hardly anything at all, at a .3 percent. This is because of the company’s slow growth. The company has prescription drugs that they have invested in, and it takes a while to make money back off of investments sometimes. The gross profit shows that for TherapeuticsMD. Perrigo’s gross profit is 35.85%. Which is a lot better than TherapeuticsMD. The reason I believe this is because of the experience again. Perrigo has a broader range of goods, but they also have more locations and assets to make a return on their liabilities. TherapeuticsMD is still reaching the point that the company has a breakthrough moment.

         Both companies after research of employee’s reviews, I got a consensus, both companies value their employees. I believe that’s important because it shows the quality of a company. Sometimes we see, employee’s working at a place for the benefits and talking bad about the place any chance they get. Through my research, the employees of both jobs, there were mixed reviews. Perrigo, I believe have grown too big of a company to monitor all of their locations because some location reviews seemed better than others. TherapeuticsMD reviews weren’t too surprising. There weren’t too many bad reviews, and the reasons never seemed ill willed. While I saw inappropriate behavior complaints in a few reviews for Perrigo.   TherapeuticsMD’s mission is to allow women to have as many options as possible available for their best interest. Being a company that is strictly women 's, is pretty progressive and I can tell they value human beings. Perrigo’s website home page goes into small details on their value of global warming, and just taking care of the environment better in general. Both companies have the values that are respectable in a company and that will welcome great innovators and thinkers into their company. I believe through the review’s I got the feeling that both companies were places where the employee’s felt they received good benefits. I am proud to report, both companies are on the animal free cruelty list. Being a healthcare company, being on the animal free cruelty list, shows that you value life over making money and that is an asset a company can have, keeps the shareholders connected, when companies value people and not money.

         The companies are similar in many ways, but different in one important way, the experience or upside of the company. TherapeuticsMD Company’s growth was hindered by the coronavirus, but the company seems focused on their mission statement of making sure women are aware of all the choices they have for their bodies.  TherapeuticsMD still has room to grow if their prescription drugs become more popular in the future, but that is still just a hypothetical. Perrigo has been around for over one hundred years and seems to have a formula that is working, it has steadily run the race and eyes on expanding even more in the future.

TherapeuticsMD is the stock to choose because of the chance of growth you’ll have. There are other reasons why the stock is a better buy at the moment, but that point is the most important. Having the ability to make more money off a stock because of the price is important. Both companies are in a slump that they are working out and will just naturally get out of it, once the pandemic is over. TherapeuticsMD will have more customers and people who are aware of the services they are. By the company being smaller, we infer that they are more concerned with the day to day business and therefore have a better culture at the moment. It was telling that TherapeuticsMD, I did not see any reviews about harassment, but I did for Perrigo. TherapeuticsMD is a growing company that it'll be best to invest in before it’s too late.

Best regards

Jalan Neal

Rashad Baines

  Ronaldo Mitchell

 investment advisors @ Smart Aggies Financial Services

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Perrigo

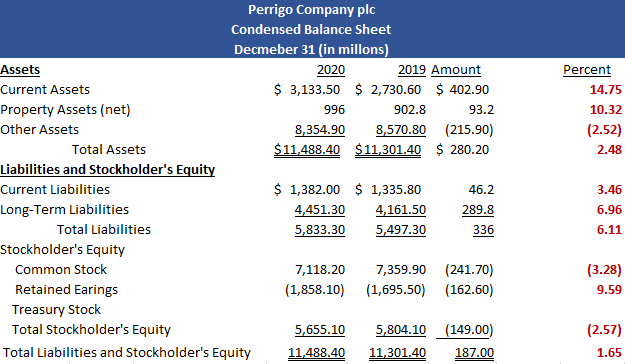
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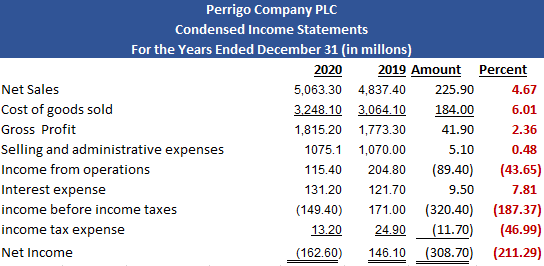
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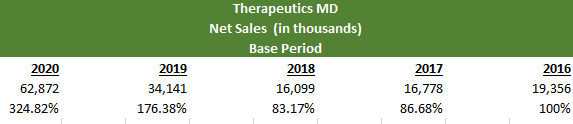
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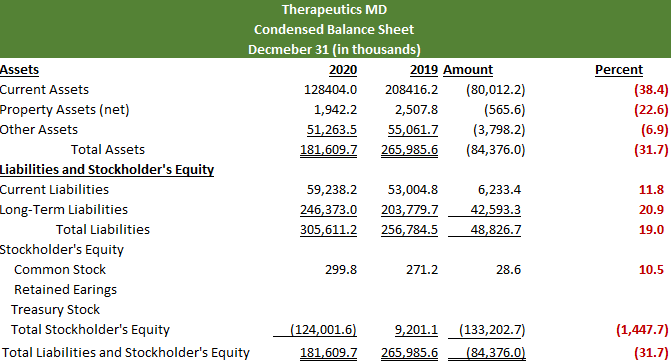
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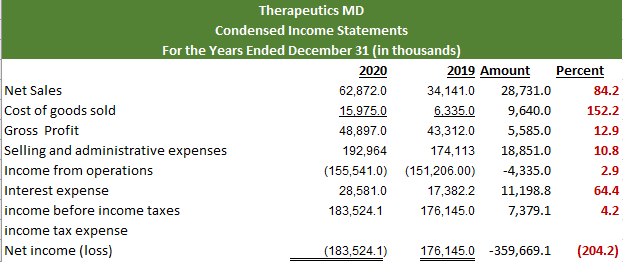


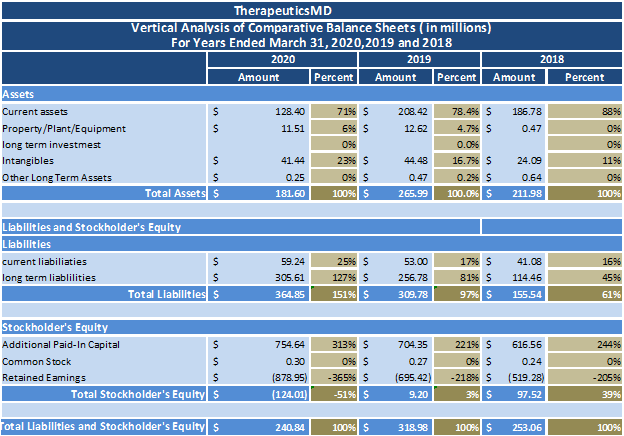
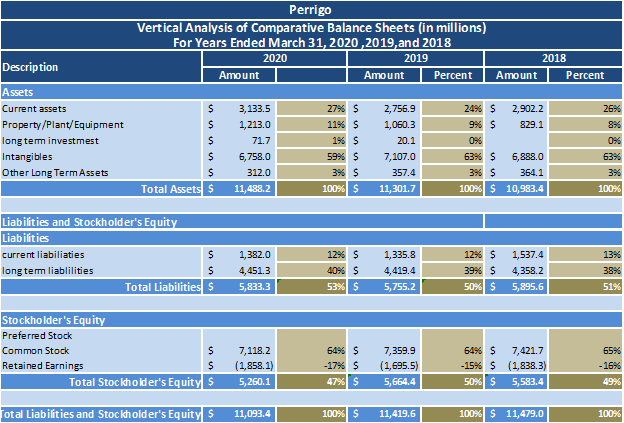


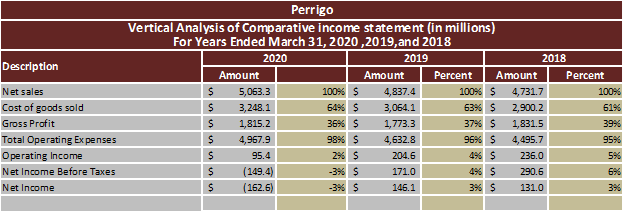


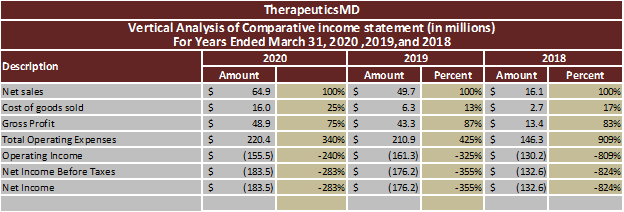


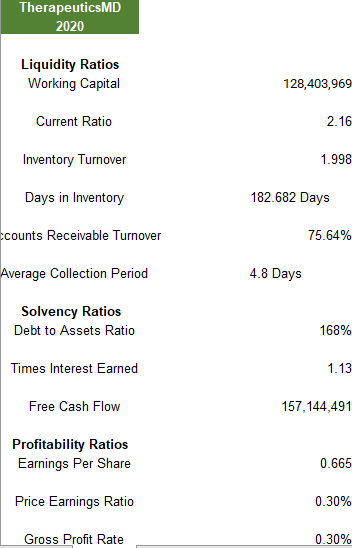










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