

REFERENCE

Business O-P

# Odwalla reports financial loss

By **ROBIN MUSITELLI**

Sentinel staff writer

**HALF MOON BAY** — The October E. coli outbreak continues to cost Odwalla Inc., which Tuesday reported another financial loss for its most recent quarter.

Odwalla said, however, it is recovering and will introduce several new products in the next few months.

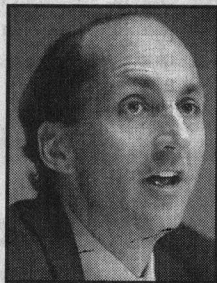
In addition, the company will resume selling its carrot juice this week and Starbucks will again be selling Odwalla products, said Odwalla Chairman Greg Steltenpohl.

Those two factors should push sales to about 80 percent of what they were before the recall, Steltenpohl said.

"It's been a lot of work. It feels like a long time ago that this happened," Steltenpohl said, referring to the E. coli outbreak and subsequent financial effects. Odwalla Tuesday reported a \$3.6 million operating loss for the three month period ending Feb. 28.

That loss is on the heels of a substantial loss the previous quarter, leaving the fresh juice maker with \$9.3 million in losses for the first half of this fiscal year.

Second quarter results showed that the Half Moon Bay company's sales were \$11.3



'It's been a lot of work.'

— *Greg Steltenpohl,*  
*Odwalla chairman*

million compared to \$13.6 million in the same quarter a year ago — a 17 percent decrease. For the the first half of this fiscal year sales dropped 2 percent, from \$26 million the previous year to \$25.4 million.

The company, which started in Santa Cruz, lost 61 cents per share for the quarter, from a loss of 1 cent in the year-earlier period. For the six-month period, the company has lost \$1.59 per share, from a loss of 4 cents in the year-earlier period.

Odwalla said the losses were the result of a reduction in sales and the costs associated with the Oct. 30 recall after health officials linked the products to an outbreak of E. coli

bacteria in several western U.S. states that made 60 people ill. One person, a Colorado girl, died.

According to Steltenpohl, the company spent \$3.8 million on the recall. Overall losses based on expected revenues are about \$25 million, he said.

The company anticipated sales of \$85 million in 1996, up from \$60 million in 1995, he said. After dipping to a low of 10 percent, sales are now 70 percent of what they were before the recall, he said.

After the outbreak, the company voluntarily recalled all products containing apple juice and then expanded the recall to its

carrot and vegetable products, which were processed on the same production line as the apple juice.

Intensive investigation and testing by the FDA and Odwalla never determined where in the production process the contamination occurred.

In an effort to regain sales and head off federal efforts to require mandatory treatment of fresh juices, the company began pasteurizing its apple juice products.

How sales were affected by the pasteurization is unknown, said Steltenpohl. "To separate the effects of flash pasteurizations from just the total recall is really hard. We can't say."

Odwalla Chief Executive Officer Stephen Williamson said Tuesday that the company's efforts were paying off. "We are very pleased with the ongoing support Odwalla receives from our trade partners and customers," said Williamson.

Williamson said Odwalla plans to add two new products in the next few months, although he declined to be specific about what the products will be.

The new products will join the current 21 juice-based drinks, Odwalla's geothermal spring water and seasonal beverages such as fresh squeezed tangerine juice.

SANTA CRUZ  
PUBLIC LIBRARY

Apr. 9, 97