

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

May 7, 1996  
Date of Report (Date of earliest event reported)

AKORN, INC.  
(Exact name of Registrant as specified in its charter)

LOUISIANA	0-13976	72-0717400
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification Number)

100 Akorn Drive  
Abita Springs, Louisiana 70420  
(Address of principal executive offices) (Zip Code)

(504) 893-9300  
(Registrant's telephone number, including area code)

Not Applicable  
(Former name or former address, if changed since last report)

Item 5. Other Events.

On May 7, 1996, Akorn, Inc., ("Akorn") entered into a definitive agreement to acquire Pasadena Research Labs, Inc. ("PRL"), a specialized distributor of injectables based in southern California. Subject to further due diligence, the acquisition is expected to occur on or before June 30, 1996. Akorn will issue 1.4 million shares of its common stock, in exchange for all of the outstanding shares of PRL, in a transaction expected to be accounted for as a pooling-of-interest transaction. The acquisition and third-quarter 1996 financial results are described in the press release filed herewith as Exhibit 99.1.

Item 7. Financial Statements and Exhibits.

- (a) No financial statements are filed with this report.
- (b) Exhibits.

99.1 Press release issued by Akorn, Inc. on May 7, 1996 announcing the definitive agreement to acquire Pasadena Research Labs, Inc. and third quarter financial results.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

By: /s/ Eric M. Wingerter

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Eric M. Wingerter  
Chief Financial Officer

Dated: May 7, 1996

AT AKORN:

Barry LeBlanc      Eric Wingerter  
President & CEO    VP-Finance  
Contact  
(504) 893-9300

AT FRB:

Jack Queeney      Kathy Brunson  
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FOR IMMEDIATE RELEASE  
TUESDAY, MAY 7, 1996

AKORN ACQUIRES INJECTABLE DISTRIBUTOR;  
REORGANIZES INTO TWO DIVISIONS;  
ANNOUNCES THIRD-QUARTER RESULTS

ABITA SPRINGS, LA, May 7, 1996 -- Akorn, Inc. (Nasdaq: AKNR) today announced that it has signed a definitive agreement to acquire Pasadena Research Labs, Inc. ("PRL"), a specialized distributor of injectables based in southern California. Akorn will issue 1.4 million shares of its common stock, in exchange for all of the outstanding shares of PRL, in a pooling-of-interest transaction.

Akorn also announced that it will reorganize its operations into two distinct divisions. John N. Kapoor, current chairman of Akorn, will assume the title of chief executive officer. Barry D. LeBlanc, current president and chief executive officer of the company, will become president of the Ophthalmic Division, will have the title of executive vice president of the company, and will continue on the Board. Floyd Benjamin, current president and chief executive officer of PRL, will become president of the Injectable Division, will be an executive vice president of Akorn, and will be appointed to the Board of Directors.

Commenting on the acquisition and the reorganization, Kapoor said, "The acquisition of Pasadena Research Labs will form the cornerstone of Akorn's strategy to expand its presence in the injectable market. This, together with Akorn's current involvement in the contract manufacture of injectables, primarily for multi-national pharmaceutical companies, will presently give us a \$13-\$14 million injectable division."

LeBlanc added, "The formation of an ophthalmic division will allow Akorn to better concentrate on its historical core business of supplying office practice products, which includes diagnostics, therapeutics, OTCs and surgical products to ophthalmologists and optometrists and further expand its generic pharmaceutical line. Prime growth strategies in this area will continue to involve product development and licensing activities in an effort to leverage Akorn's 20,000-strong customer base of practitioners."

The PRL product line comprises approximately 20-25 products. A significant number are distributed under the PRL label, generating approximately \$5 million in annual sales. This operation is currently profitable.

Commenting on the acquisition, Floyd Benjamin stated, "The combination of Pasadena's product line and pipeline of products in development with Akorn's capabilities in the areas of sterile manufacturing, distribution and R&D should result in a very competitive business in the \$4 billion generic sterile injectable arena. In addition, the strategic plan for the two operations complement each other exceptionally well."

Third-Quarter Results

Net income for the third quarter of fiscal 1996 was \$355,000, or 2 cents per share, on sales of \$7.6 million compared with net income of \$228,000, or 1 cent per share, on sales of \$7.5 million in the year-ago period. Akorn recognized net income of \$1.3 million, or 8 cents per share, on revenues of \$22.9 million for the first nine months of fiscal 1996. In the comparable period

for fiscal 1995, Akorn reported net income of \$1.6 million, or 10 cents per share, on revenues of \$24.4 million.

"These results were slightly below our expectations primarily due to weak sales of our generic products in the retail sector. This was partially due to the effect of harsh weather throughout the second and third fiscal quarters resulting in higher than expected inventory levels at several wholesalers," said LeBlanc. "However, sales of office practice products to ophthalmologists and optometrists, our core ophthalmic business, continue to increase at double-digit rates over prior-year results."

#### Review Of Results

Net sales for the quarter ended March 31, 1996, were \$7.6 million, up 2 percent from last year's \$7.5 million. In addition to the effects of wholesaler overstocking noted above, temporary shortages on certain distributed products also affected company sales for the quarter. Gross profit declined 3 percent from \$2.7 million to \$2.6 million. Gross margins declined 150 basis points, primarily due to a larger percentage of wholesaler chargebacks to sales.

Operating expenses declined 5 percent during the quarter, while research and development expenditures remained relatively stable at approximately 3 percent of sales. The company's effective tax rate was 37 percent for the quarter compared to 30 percent for the comparable period in the prior year.

Net sales for the nine months ended March 31, 1996, were \$22.9 million or 6 percent lower than the year-ago's \$24.4 million. This decline was primarily associated with the loss in sales of AK-Con-A, Akorn's highest-margin product at nearly 75 percent, beginning in the third quarter of fiscal 1995. While the over-the-counter version of this product has been approved and licensed to Pfizer, the royalty stream from Pfizer only began in the latter part of the current quarter. Gross profit declined 16 percent from \$9.9 million to \$8.3 million. Gross margins declined 430 basis points primarily due to the loss of AK-Con-A.

Operating expenses declined 14 percent during the nine-month period ended March 31, 1996, as compared to the same period in the previous year, while research and development expenditures increased 23 percent.

#### Outlook

Commenting on these results, LeBlanc said, "While increased price competition in the generic market is expected to continue to affect sales and margins of Akorn's ophthalmic generic products, the introduction of in-house manufactured generic products should partially compensate for the decline in that segment of our business. In addition, with continued emphasis on sales to ophthalmologists and optometrists, continued successes in business development efforts, and the royalty stream from our NDA product licensed to Pfizer, the ophthalmic division is expected to show improved results beginning in the fourth quarter."

LeBlanc continued, "While results from our injectable contract manufacturing business for the current quarter are slightly ahead of last year, the company continues to experience weakness due to a recent shift by several contract customers to evaluate the economics surrounding their injectable products. With the acquisition of PRL and other recent efforts the company is well positioned for growth in the injectable division."

Akorn Inc. manufactures, markets and distributes sterile ophthalmic and injectable pharmaceuticals, and markets and distributes an extensive line of ophthalmic products.

The information contained in this news release, other than historical information, consists of forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those described in such statements. Such statements regarding the timing of acquiring and developing new products, of bringing them on line and of

deriving revenues and profits from them, as well as the effects of those revenues and profits on the company's margins and financial position, is uncertain because many of the factors affecting the timing of those items are beyond the company's control.

For additional information about Akorn, Inc. free of charge via fax,  
dial 1-800-PRO-INFO and enter "AKRN."

CONSOLIDATED STATEMENT OF EARNINGS

In thousands, except per share amounts

	Three months ended March 31,			Nine months ended March 31,		
	1996	1995	%Chg	1996	1995	%Chg
Net sales	\$7,625	\$7,502	1.6%	\$22,901	\$24,428	-6.3%
Cost of sales	4,983	4,791	4.0%	14,562	14,484	0.5%
Gross profit	<u>2,642</u>	<u>2,711</u>	-2.5%	<u>8,339</u>	<u>9,944</u>	-16.1%
Selling, general and administrative	1,842	1,936	-4.9%	5,743	6,654	-13.7%
Research and development	226	211	7.1%	689	562	22.6%
Operating income	<u>574</u>	<u>564</u>	1.8%	<u>1,907</u>	<u>2,728</u>	-30.1%
Interest & Other Income (expense), net	(10)	(238)	-95.8%	87	(186)	-146.8%
Pretax income	<u>564</u>	<u>326</u>	73.0%	<u>1,994</u>	<u>2,542</u>	-21.6%
Income taxes	209	98	113.3%	738	922	-20.0%
Net income	<u>\$355</u>	<u>\$228</u>	55.7%	<u>\$1,256</u>	<u>\$1,620</u>	-22.5%
Per share:						
Net income	<u>\$0.02</u>	<u>\$0.01</u>	100.0%	<u>\$0.08</u>	<u>\$0.10</u>	-20.0%
Weighted average share	<u>15,416</u>	<u>15,520</u>	-0.7%	<u>15,326</u>	<u>15,447</u>	-0.8%

CONSOLIDATED BALANCE SHEETS

(in thousands)

	March 31, 1996	June 30, 1995
Assets		
Cash and investments	\$2,076	\$2,336
Accounts receivable, net	5,219	4,919
Other current assets	9,031	7,048
Total current assets	<u>16,326</u>	<u>14,303</u>
Property, plant and equipment, net	11,522	10,996
Other assets	1,031	957
Total assets	<u>\$28,879</u>	<u>\$26,256</u>
Liabilities and shareholders' equity		
Short-term borrowings	\$550	\$ -
Current portion of long-term debt and capital leases	814	642
Trade accounts payable	2,115	1,719
Income taxes payable	707	782
Accrued reorganization costs	384	727
Deferred royalty	917	
Other accrued expenses	2,739	2,531
Total current liabilities	<u>8,226</u>	<u>6,401</u>
Long-term debt and capital leases	3,730	3,900
Other long-term liabilities	609	957

Shareholders' equity	16,314	14,998
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Total liabilities and shareholders' equity	\$28,879	\$26,256
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