UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

Mark One

|X| QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period ended March 31, 2001

OR

|_| TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES ACT OF 1934

For the transition period from ______ to _______

Commission File Number 0-24249

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

Delaware	22-2919486
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

10 Mountainview Road
Upper Saddle River, New Jersey 07458
(Address of principal executive offices)

(201) 258-8450
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes |X| No |_|

As of May 7, 2001 the Registrant had a total of 13,861,223 shares of Common Stock, $.01 par value, outstanding.

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PROFESSIONAL DETAILING, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	March 31, 2001 (unaudited)	December 31, 2000
ASSETS		
Current assets:		
Cash and cash equivalents	$ 109,759	$ 109,000
Short-term investments	9,677	4,907
Inventory, net	50,286	36,385
Accounts receivable, net of allowance for doubtful accounts of $1,550 and $250 as of March 31, 2001 and December 31, 2000, respectively	95,317	84,529
Unbilled costs and accrued profits on contracts in progress	7,118	2,953
Deferred training	4,821	4,930
Other current assets	4,304	4,541
Deferred tax asset	4,575	4,758
Total current assets	285,857	252,003
Net property, plant & equipment	11,240	9,965
Other investments	1,500	760
Other long-term assets	7,595	7,497
Total assets	$ 306,192	$ 270,225
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 48,953	$ 31,328
Accrued rebates and sales discounts	38,020	24,368
Accrued incentives	14,207	19,824
Accrued salaries and wages	6,915	6,568
Unearned contract revenue	23,878	23,813
Other accrued expenses	24,123	25,382
Total current liabilities	156,096	131,283
Long-term liabilities:		
Deferred compensation	169	169
Deferred tax liability	663	663
Other long-term liabilities	--	--
Total long-term liabilities	832	832
Total liabilities	$ 156,928	$ 132,115

	March 31, 2001	December 31, 2000
Stockholders' equity:		
Common stock, $.01 par value; 30,000,000 shares authorized; shares issued and outstanding March 31, 2001 - 13,844,834; December 31, 2000 - 13,837,390; restricted $.01 par value; Shares issued and outstanding, March 31, 2001 - 7,972; December 31, 2000 - 7,972	138	138
Preferred stock, $.01 par value, 5,000,000 shares authorized, no shares issued and outstanding	--	
Additional paid-in capital	97,093	96,945
Additional paid-in capital, restricted	217	217
Retained earnings	52,583	41,654
Accumulated other comprehensive loss	(91)	(34)
Unamortized compensation costs	(676)	(810)
Total stockholders' equity	149,264	138,110
Total liabilities & stockholders' equity	$ 306,192	$ 270,225

The accompanying notes are an integral part of these financial statements

PROFESSIONAL DETAILING, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share data)

	Three Months Ended March 31, 2001 (unaudited)	Three Months Ended March 31, 2000 (unaudited)
Revenue		
Service, net	$ 78,087	$ 71,289
Product, net	94,978	--
Total revenue, net	173,065	71,289
Cost of goods and services		
Program expenses (including related party amounts of $159 and $703 for the periods ended March 31, 2001 and 2000, respectively)	55,395	50,120
Cost of goods sold	64,215	--
Total cost of goods and services	119,610	50,120
Gross profit	53,455	21,169
Compensation expense	11,015	8,394
Other selling, general & administrative expenses	25,728	4,006
Total selling, general & administrative expenses	36,743	12,400
Operating income	16,712	8,769
Other income, net	1,870	684
Income before provision for taxes	18,582	9,453
Provision for income taxes	7,653	3,839
Net income	$ 10,929	$ 5,614
Basic net income per share	$ 0.79	$ 0.43
Diluted net income per share	$ 0.77	$ 0.43
Basic weighted average number of shares outstanding	13,842,991	13,005,196

Diluted weighted average number of shares outstanding	14,132,704	13,183,406

The accompanying notes are an integral part of these financial statements

PROFESSIONAL DETAILING, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

<TABLE>
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	Three Months Ended March 31,	
	2001	2000
	(unaudited)	
<S>	<C>	<C>
Cash Flows From Operating Activities		
Net income from operations	$ 10,929	$ 5,614
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	878	384
Deferred compensation	--	11
Reserve for inventory obsolescence and bad debt .	1,798	--
Amortized compensation costs	134	--
Deferred tax asset, net	184	--
Loss on other investments	--	945
Other changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(12,088)	7,513
(Increase) in inventory	(14,399)	
(Increase) in unbilled costs	(4,165)	(3,997)
Decrease (increase) in deferred training	109	(3,702)
Decrease in other current assets	237	729
Increase in other long-term assets	(216)	(17)
Increase in accounts payable	17,626	4,152
Increase in accrued rebates and sales discounts .	13,651	--
(Decrease) increase in accrued liabilities	(5,270)	204
Increase in unearned contract revenue	64	750
Increase in payable to affiliate	--	307
(Decrease) increase in other current liabilities	(1,260)	3,660
Net cash provided by operating activities	8,212	16,553
Cash Flows From Investing Activities		
Sale of short-term investments	--	1,585
Purchase of short-term investments	(4,826)	--
Other investments	(740)	(2,500)
Purchase of property and equipment	(2,035)	(744)
Net cash used in investing activities	(7,601)	(1,659)
Cash Flows From Financing Activities		
Net proceeds from issuance of common stock	--	41,735
Net proceeds from exercise of stock options	148	11
Distributions to S corporation stockholders	--	(8)
Repayment of loan from officer	--	1,428
Net cash provided by financing activities	148	43,166
Net increase in cash and cash equivalents	759	58,060
Cash and cash equivalents - beginning	109,000	57,787
Cash and cash equivalents - ending	$ 109,759	$ 115,847

Cash paid for interest	$ --	$ --
Cash paid for taxes	$ 585	$ 607

</TABLE>

The accompanying notes are an integral part of these financial statements

PROFESSIONAL DETAILING, INC.
NOTES TO INTERIM FINANCIAL STATEMENTS
(unaudited)

1. Basis of Presentation

The accompanying unaudited interim financial statements and related notes should be read in conjunction with the financial statements of Professional Detailing, Inc. and its subsidiaries (the "Company" or "PDI") and related notes as included in the Company's Annual Report on Form 10-K for the year ended December 31, 2000 (the "Annual Report") as filed with the Securities and Exchange Commission. The unaudited interim financial statements of the Company have been prepared in accordance with generally accepted accounting principles for interim financial reporting and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The unaudited interim financial statements include all adjustments (consisting only of normal recurring adjustments) which, in the judgement of management, are necessary for a fair presentation of such financial statements. Operating results for the three-month period ended March 31, 2001 are not necessarily indicative of the results that may be expected for the year ending December 31, 2001. Certain prior period amounts have been reclassified to conform with the current presentation with no effect on financial position, net income or cash flows.

2. Secondary Public Offering of Common Stock

On January 26, 2000, a public offering of 2,800,000 shares of the Company's common stock was completed at a public offering price per share of $28.00, yielding net proceeds per share after deducting underwriting discounts of $26.35 (before deducting expenses of the offering). Of the shares offered, 1,399,312 shares were sold by the Company and 1,400,688 shares were sold by certain selling shareholders. In addition, in connection with the exercise of the underwriters' over-allotment option, an additional 420,000 shares were sold to the underwriters on February 1, 2000 on the same terms and conditions (210,000 shares were sold by the Company and 210,000 shares were sold by a selling shareholder). Net proceeds to the Company after expenses of the offering were approximately $41.6 million.

3. Credit Line

The Company entered into a credit agreement dated as of March 30, 2001 with a syndicate of banks, for which PNC Bank, National Association is acting as Administrative and Syndication Agent, that provides for both a three-year, $30 million unsecured revolving credit facility and a one-year, renewable, $30 million unsecured revolving credit facility. Borrowings under the agreement bear interest equal to either an average London interbank offered rate (LIBOR) plus a margin ranging from 1.5% to 2.25%, depending on the Company's ratio of funded debt to earnings before interest, taxes depreciation and amortization (EBITDA); or the greater of prime or the federal funds rate plus a margin ranging from zero to 0.25%, depending on the Company's ratio of funded debt to EBITDA. The Company is required to pay a commitment fee quarterly in arrears for each of the long-term and short-term credit facilities. These fees range from 0.175% to 0.325% for the long-term credit facility and from 0.25% to 0.40% for the short-term credit facility, depending on the Company's ratio of funded debt to EBITDA. The credit agreement contains customary affirmative and negative covenants including financial covenants requiring the maintenance of specified consolidated interest coverage, leverage ratios and a minimum net worth.

4. Other Investments

In February 2000, the Company signed a three-year agreement with iPhysicianNet Inc. ("iPhysicianNet"). In connection with this agreement, the Company made an investment of $2.5 million in preferred stock of iPhysicianNet. Under the agreement PDI was appointed as the exclusive CSO in the United States to be affiliated with the iPhysicianNet network, allowing PDI to offer e-detailing capabilities to its existing and potential clients. For the three months ended March 31, 2000, the Company recorded a loss related to this investment of $944,891 which represented its share of iPhysicianNet's losses from the date of the investment through March 31, 2000. As of December 31, 2000, the investment in iPhysicianNet had been reduced to zero.

In the fourth quarter of 2000 and first quarter of 2001, the Company made an investment of approximately $1.5 million in convertible preferred stock of In2Focus, Inc., a United Kingdom contract sales company. The Company recorded this investment under the cost method.

5. Inventory

Inventory is valued at the lower of cost or fair value. Cost is determined using the first in, first out costing method. Inventory consists of only finished goods and is recorded net of a provision for obsolescence.

6. New Accounting Pronouncements

The Financial Accounting Standards Board released in June 1998, SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" which addressed the accounting for derivative instruments including certain derivative instruments embedded in other contracts and for hedging activities. Implementation of SFAS 133 was delayed to fiscal year 2001 by the issuance of SFAS 137. In June 2000, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities - an amendment of FASB Statement No. 133" (SFAS 138) which amended the accounting and reporting standards of SFAS 133 for certain derivative instruments and certain hedging activities. The adoption of these pronouncements did not have an impact on the Company's earnings, comprehensive income and financial position.

7. Basic and Diluted Net Income Per Share

A reconciliation of the number of shares used in the calculation of basic and diluted earnings per share for the three-month periods ended March 31, 2001 and 2000 is as follows:

	Three Months Ended March 31,	
	2001	2000
Basic weighted average number of common shares outstanding	13,842,991	13,005,196
Dilutive effect of stock options	289,713	178,210
Diluted weighted average number of common shares outstanding	14,132,704	13,183,406

8. Short-Term Investments

At March 31, 2001, short-term investments were $9.7 million, including approximately $840,000 of investments classified as available for sale securities. The unrealized after-tax loss on the available for sale securities is included as a separate component of stockholders' equity as accumulated other comprehensive income. All other short-term investments are stated at cost, which approximates fair value.

9. Comprehensive Income

A reconciliation of net income as reported in the Consolidated Statements of Operations to Other comprehensive income, net of taxes is presented in the table below.

	Three Months Ended March 31, 2001	2000
	(thousands)	
Net income	$ 10,929	$ 5,614
Other comprehensive income, net of tax:		
Unrealized holding loss on available-for-sale securities arising during period	(108)	--
Reclassification adjustment for losses (gains) included in net income	17	(92)
Other comprehensive income	$ 10,838	$ 5,522

10. Commitments and Contingencies

The Company is engaged in the business of detailing pharmaceutical products, and through our LifeCycle Ventures, Inc. (LCV) subsidiary is also in the business of distributing product under an agreement with GlaxoSmithKline for the exclusive marketing, sales and distribution rights for Ceftin(R) Tablets and Ceftin(R) for Oral Suspension (cefuroxime axetil), two dosage forms of a cephalosporin antibiotic. Such activities could expose the Company to risk of liability for personal injury or death to persons using such products. While the Company has not been subject to any claims or incurred any liabilities due to such claims, there can be no assurance that substantial claims or liabilities will not arise in the future. The Company seeks to reduce its potential liability under its service agreement through measures such as contractual indemnification provisions with clients (the scope of which may vary from client to client, and the performances of which are not secured) and insurance. The Company could, however, also be held liable for errors and omissions of its employees in connection with the services it performs that are outside the scope of any indemnity or insurance policy. The Company could be materially adversely affected if it were required to pay damages or incur defense costs in connection with a claim that is outside the scope of the indemnification agreements; if the indemnity, although applicable, is not performed in accordance with its terms; or if the Company's liability exceeds the amount of applicable insurance or indemnity.

In connection with the GlaxoSmithKline Ceftin agreement, the Company has product purchase commitments. The Company is required to purchase certain minimum levels of product, in various dosage forms, during each calendar quarter during the term of the agreement. This agreement is cancelable by either party upon not less than 120 days written notice. The quarterly commitments range from $40.1 million to $77.9 million over the five-year term. As of March 31, 2001, the total non-cancelable commitment outstanding was approximately $76.0 million.

From time to time the Company is involved in litigation incidental to its business. The Company is not currently a party to any pending litigation which, if decided adversely to the Company, would have a material adverse effect on the business, financial condition, results of operations or cash flows of the Company.

11. Segment Information

Through three segments, the Company offers six principal service offerings, including customized contract sales services, product sales and distribution, marketing research and consulting services, and professional education and communication services. Marketing research and consulting services,

professional education and communication services, have been combined to form the Marketing services category.

The accounting policies of the segments are the same as those described in the "Nature of Business and Significant Accounting Policies" footnote to the Company's financial statements, which are included in the Company's Annual Report on Form 10-K for the year ended December 31, 2000. Segment data includes a charge allocating all corporate headquarters costs to each of the operating segments. PDI evaluates the performance of its segments and allocates resources to them based on operating income.

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	Three Months Ended March 31,	
	2001	2000
	(thousands)	
Revenue		
Contract sales	$ 90,020	$ 66,671
Product sales and distribution	94,978	--
Marketing services	5,457	4,618
Total	$ 190,455	$ 71,289
Revenue, intersegment		
Contract sales	$ 17,313	$ --
Product sales and distribution	--	--
Marketing services	77	--
Total	$ 17,390	$ --
Revenue, less intersegment		
Contract sales	$ 72,707	$ 66,671
Product sales and distribution	94,978	--
Marketing services	5,380	4,618
Total	$ 173,065	$ 71,289
EBIT before corporate allocations		
Contract sales	$ 9,235	$ 9,594
Product sales and distribution	9,731	--
Marketing services	77	460
Corporate charges	(2,331)	(1,285)
Total	$ 16,712	$ 8,769
Corporate allocations		
Contract sales	$ (979)	$ (1,202)
Product sales and distribution	(1,280)	--
Marketing services	(72)	(83)
Corporate charges	2,331	1,285
Total	$ --	$ --
EBIT less corporate allocations		
Contract sales	$ 8,256	$ 8,392
Product sales and distribution	8,451	--
Marketing services	5	377
Corporate charges	--	--
Total	$ 16,712	$ 8,769
Reconciliation of EBIT to income before provision for income taxes		
Total EBIT for operating groups	$ 16,712	$ 8,769
Other income, net	1,870	684

Income before provision for income taxes	$ 18,582	$ 9,453
Capital expenditures		
Contract sales	$ 1,760	$ 643
Product sales and distribution	158	--
Marketing services	117	101
Total	$ 2,035	$ 744
Depreciation expense		
Contract sales	$ 693	$ 193
Product sales and distribution	62	--
Marketing services	4	74
Total	$ 759	$ 267

</TABLE>

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

Various statements made in this Quarterly Report on Form 10-Q are "forward-looking statements" (within the meaning of the Private Securities Litigation Reform Act of 1995) regarding the plans and objectives of management for future operations. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. The forward-looking statements included in this report are based on current expectations that involve numerous risks and uncertainties. Our plans and objectives are based, in part, on assumptions involving judgements about, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Although we believe that our assumptions underlying the forward-looking statements are reasonable, any of these assumptions could prove inaccurate and, therefore, we cannot assure you that the forward-looking statements included in this report will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included in this report, the inclusion of these statements should not be interpreted by anyone that our objectives and plans will be achieved. Factors that could cause actual results to differ materially from those expressed or implied by forward-looking statements include, but are not limited to, the factors set forth in "Certain Factors That May Affect Future Growth," under Part I, Item 1, of the Company's Annual Report on Form 10-K for the year ended December 31, 2000 as filed with the Securities and Exchange Commission.

Overview

We are a leading provider of sales and marketing services to the United States pharmaceutical industry. Within our three operating segments we provide the following services:

- dedicated contract sales services;
- syndicated contract sales services;
- LifeCycle X-Tension services;
- LifeCycle Launch services;
- marketing research and consulting services; and
- medical education and communication services.

Our clients, which include some of the largest pharmaceutical companies in the world, engage us on a contractual basis to design and implement product detailing programs for both prescription and over-the-counter (OTC) pharmaceutical products. Product detailing involves meeting face-to-face with targeted prescribers to provide a technical review of the product being promoted. Since the early 1990s, the United States pharmaceutical industry has increasingly used CSOs to provide detailing services to introduce new products

and supplement existing sales efforts.

Given the customized nature of our business, we utilize a variety of contract structures. Historically, most of our product detailing contracts were fee-for-services, i.e., the client pays a fee for a specified package of services. These contracts typically include performance benchmarks, such as a minimum number of sales representatives or a minimum number of calls. More recently, our contracts tend to have a lower base fee but built-in incentives based on our performance. In these situations, we have the opportunity to earn additional fees based on enhanced program results.

Our product detailing contracts generally are for terms of one to three years and may be renewed or extended. However, the majority of these contracts are terminable by the client for any reason upon 30 to

90 days notice. These contracts typically provide for termination payments by the client upon a termination without cause. While the cancellation of a contract by a client without cause may result in the imposition of penalties on the client, these penalties may not act as an adequate deterrent to the termination of any contract. In addition, we cannot assure you that these penalties will offset the revenue we could have earned under the contract or the costs we may incur as a result of its termination. The loss or termination of a large contract or the loss of multiple contracts could adversely affect our future revenue and profitability.

Our product detailing contracts typically contain cross-indemnification provisions between us and our client. The client will usually indemnify us against product liability and related claims arising from the sale of the product and we indemnify the clients with respect to the errors and omissions of our sales representatives in the course of their detailing activities. To date, we have not asserted, nor has there been asserted against us, any claim for indemnification under any contract.

On February 2, 2001, GlaxoSmithKline exercised its right to terminate, without cause, our fee for services contract. The termination was effective as of April 18, 2001. As a result, we expect 2001 consolidated revenues to be reduced by approximately $45 million, and earnings per share to be reduced by $0.35 to $0.40 per share. This does not affect revenues or results for the quarter ended March 31, 2001.

In June 2000, we formed LCV to compete more fully for pharmaceutical commercialization opportunities. LCV undertakes performance-based sales, marketing and distribution assignments, taking over completely, or in cooperation with the client, the sales, marketing and distribution function of brands. This service has a broad target customer base, including all tiers of the pharmaceutical and biotechnology sectors. Over the next several years, we expect this new service offering to be an important contributor to our growth.

In October 2000, LCV signed a five-year agreement with GlaxoSmithKline for the exclusive U.S. marketing, sales and distribution rights for Ceftin Tablets and Ceftin for Oral Suspension (cefuroxime axetil), two dosage forms of a cephalosporin antibiotic. Ceftin is the top selling oral cephalosporin in the United States and throughout the world. Ceftin, which is indicated for acute bacterial respiratory infections such as acute sinusitis, bronchitis and otitis media, generated over $332 million in United States sales in 1999. GlaxoSmithKline retains some regulatory responsibilities for Ceftin and ownership of all intellectual property relevant to Ceftin and will continue to manufacture the product. The agreement with GlaxoSmithKline is cancelable by either party on 120 days written notice.

Under the agreement with GlaxoSmithKline, LCV is required to purchase certain minimum levels of Ceftin during each calendar quarter. In order to meet anticipated demand, LCV intends to maintain an inventory of Ceftin that we expect to average between $30 to $60 million. In the event our estimates of the demand for Ceftin are not accurate, or the timing on collections of Ceftin related receivables is slower than anticipated, the LCV-Ceftin transaction could have a material adverse impact on our results of operations, cash flows and liquidity.

In November 2000, LCV signed a five-year agreement with United

Therapeutics Corporation under which LCV will provide a broad range of pre-launch and launch commercialization services for Beraprost, a compound under development for peripheral vascular disease.

During the fourth quarter of 2000, we invested approximately $760,000 in In2Focus Sales Development Services Limited, a United Kingdom contract sales company. In January 2001, we invested an additional $740,000. In2Focus intends to provide a full range of sales related services and technologies to the pharmaceutical industry.

Recent developments

We have a credit agreement dated as of March 30, 2001 with a syndicate of banks, for which PNC Bank, National Association is acting as Administrative and Syndication Agent, that provides for both a three-year, $30 million unsecured revolving credit facility and a one-year, renewable, $30 million unsecured revolving credit facility. Borrowings under the agreement bear interest equal to either an average London interbank offered rate (LIBOR) plus a margin ranging from 1.5% to 2.25%, depending on our ratio of funded debt to earnings before interest, taxes depreciation and amortization (EBITDA); or the greater of prime or the federal funds rate plus a margin ranging from zero to 0.25%, depending on our ratio of funded debt to EBITDA. We are required to pay a commitment fee quarterly in arrears for each of the long-term and short-term credit facilities. These fees range from 0.175% to 0.325% for the long-term credit facility and from 0.25% to 0.40% for the short-term credit facility, depending on our ratio of funded debt to EBITDA. The credit agreement contains customary affirmative and negative covenants including financial covenants requiring the maintenance of specified consolidated interest coverage, leverage ratios and a minimum net worth.

Revenues and expenses

Our revenues are segregated between service and product sales for reporting purposes. Our operations are currently organized around three principal activities and business segments:

- contract sales programs;
- product sales; and
- marketing research services.

Historically, we have derived a significant portion of our service revenue from a limited number of clients. However, concentration of business in the CSO industry is common and we believe that pharmaceutical companies will continue to outsource large projects as the CSO industry grows and continues to demonstrate an ability to successfully implement large programs. Accordingly, we are likely to continue to experience significant client concentration in future periods with respect to our CSO segment. Our three largest clients accounted for approximately 64.6% and 70.7%, of our service revenue for the quarters ended March 31, 2001 and 2000, respectively. This decline in client concentration reflects our continued efforts to expand our client base. For the quarter ended March 31, 2001, revenue from sales of Ceftin primarily came from three major customers who accounted for approximately 70.9% of total net product revenue.

Service revenue and program expenses

Contract sales revenue is earned primarily by performing product detailing programs and other marketing and promotional services under contracts. Revenue is recognized as the services are performed and the right to receive payment for the services is assured. Revenue is recognized net of any potential penalties until the performance criteria eliminating the penalties have been achieved. Bonus and other performance incentives as well as termination payments are recognized as revenue in the period earned and when payment of the bonus, incentive or other payment is assured.

Program expenses consist primarily of the costs associated with executing a product detailing program or the other services identified in the contract. Program expenses include personnel costs and other costs, including facility rental fees, honoraria and travel expenses, associated with executing a product detailing or other marketing or promotional program, as well as the initial direct costs associated with staffing a product detailing program. Personnel

costs, which constitute the largest portion of program expenses, include all labor related costs, such as salaries, bonuses, fringe benefits and payroll taxes for the sales representatives and sales managers and professional staff who are directly responsible for executing a particular program. Initial direct program costs are those costs associated with initiating a product detailing program, such as recruiting, hiring and training the sales representatives who staff a particular product

detailing program. All personnel costs and initial direct program costs, other than training costs, are expensed as incurred for service offerings. Training costs include the costs of training the sales representatives and managers on a particular product detailing program so that they are qualified to properly perform the services specified in the related contract. Training costs are deferred and amortized on a straight-line basis over the shorter of the life of the contract to which they relate or 12 months. Expenses related to the product detailing of products we distribute (as discussed in the next section) are recorded as a selling expense and are included in other selling, general and administrative expenses in the consolidated statements of operations.

As a result of the revenue recognition and program expense policies described above, we may incur significant initial direct program costs before recognizing revenue under a particular product detailing contract. We typically receive an initial payment upon commencement of a product detailing program and, as appropriate, characterize that payment as compensation for recruiting, hiring and training services associated with staffing that program. This permits us to record the initial payment as revenue in the same period in which the costs of the services are expensed. Our inability to specifically provide in our product detailing contracts that we are being compensated for recruiting, hiring or training services could adversely impact our operating results for periods in which the costs associated with the product detailing services are incurred.

Product revenue and cost of goods sold

Product revenue is recognized when products are shipped and title to products is transferred to the customer. Provision is made at the time of sale for all discounts and estimated sales allowances. We prepare our estimates for sales returns and allowances, discounts and rebates based primarily on historical experience updated for changes in facts and circumstances, as appropriate.

Cost of goods sold includes all expenses for both product distribution costs and manufacturing costs of product sold. Inventory is valued at the lower of cost or fair value. Cost is determined using the first in, first out costing method. Inventory consists of only finished goods. Cost of goods sold and gross margin on sales could fluctuate based on our quantity of product purchased, and our contractual unit costs including applicable discounts, as well as fluctuations in the selling price for our products including applicable discounts.

Corporate overhead and taxes

Selling, general and administrative expenses include compensation and general corporate overhead. Compensation expense consists primarily of salaries, bonuses, training and related fringe benefits for senior management and other administrative, marketing, finance, information technology and human resources personnel who are not directly involved with executing a particular program. Other selling, general and administrative expenses include corporate overhead such as facilities costs, depreciation and amortization expenses and professional services fees, as well as product detailing, marketing and promotional expenses associated with product we distribute.

Consolidated Results of Operations

The following table sets forth, for the periods indicated, certain statements of operations data as a percentage of revenue. The trends illustrated in this table may not be indicative of future results.

	Three Months Ended March 31,	
	2001	2000
Revenue		
Service, net	45.1%	100.0%
Product, net	54.9	--
Total revenue, net	100.0%	100.0%
Cost of goods and services		
Program expenses	32.0	70.3
Cost of goods sold	37.1	--
Total cost of goods and services	69.1	70.3
Gross profit	30.9	29.7
Compensation expense	6.4	11.8
Other selling, general and administrative expenses	14.8	5.6
Total selling, general and administrative expenses	21.2	17.4
Operating income	9.7	12.3
Other income, net	1.1	1.0
Income before provision for income taxes	10.8	13.3
Provision for income taxes	4.4	5.4
Net income	6.4%	7.9%

Revenue. Net revenue for the quarter ended March 31, 2001 was $173.1 million, an increase of 142.8% over net revenue of $71.3 million for the quarter ended March 31, 2000. Net revenue from the CSO and marketing services segments for the quarter ended March 31, 2001 was $78.1 million, an increase of $6.8 million, or 9.5%, over net revenue of $71.3 million from those segments for the comparable prior year period. This increase was primarily attributable to the continued renewal of existing business, and the carry-over from programs which began in the second half of 2000. Net revenue from CSO and marketing services included incentive payments of $5.1 million earned as a result of our sales force meeting or exceeding established targets for 2000 on several programs. Incentive payments for the quarter ended March 31, 2000 were $3.9 million. Incentive payments may be earned in future reporting periods, but they are not expected to have a material impact on results of operations for the remaining quarters of 2001. Net product revenue for the quarter ended March 31, 2001 was $95.0 million, all of which was attributable to sales of Ceftin. There were no product sales in the comparable prior year period.

Cost of goods and services. Cost of goods and services for the quarter ended March 31, 2001 were $119.6 million, an increase of 138.6% over cost of goods and services of $50.1 million for the quarter ended March 31, 2000. As a percentage of total net revenue, cost of goods and services decreased to 69.1% for the quarter ended March 31, 2001 from 70.3% in the comparable prior year period. This decrease was primarily attributable to the lower cost of goods sold from our product sales and distribution segment. Program expenses (i.e., cost of services) for the quarter ended March 31, 2001 were $55.4 million, an increase of 10.5% over program expenses of $50.1 million for the quarter ended March 31, 2000. As a percentage of net CSO and marketing services revenue, program expenses for the quarters ended March 31, 2001 and 2000 were 70.9% and 70.3%, respectively. Cost of goods sold was $64.2 million for the quarter ended March 31, 2001. As a percentage of net product revenue, cost of goods sold for the quarter ended March 31, 2001 was 67.6%. Cost of goods sold and gross margin on sales could fluctuate based on our quantity of product purchased, and our contractual unit costs including applicable discounts, as well as fluctuations in the selling price for our products including applicable discounts.

Compensation expense. Compensation expense for the quarter ended March 31, 2001 was $11.0 million compared to $8.4 million for the comparable prior year period. As a percentage of total net revenue, compensation expense decreased to 6.4% for the quarter ended March 31, 2001 from 11.8% for the quarter ended March 31, 2000. Compensation expense for the quarter ended March 31, 2001

attributable to the CSO and marketing services segments was $9.7 million compared to $8.4 million for the quarter ended March 31, 2000. As a percentage of net revenue from the CSO and marketing services segments, compensation expense increased to 12.4% for the quarter ended March 31, 2001 from 11.8% for the quarter ended March 31, 2000. This increase reflects the investment in staffing and related resources needed to manage our growth. Compensation expense for the quarter ended March 31, 2001 attributable to the product segment was $1.4 million, or 1.5% of product revenue. The low compensation expense for this segment contributed greatly to the overall reduction in compensation expense as a percentage of total net revenue. In future periods we expect the staffing for the product segment to increase as capabilities are added. Also, since the sales of Ceftin are seasonal, compensation as a percentage of sales may vary from quarter to quarter with the level of sales.

Other selling, general and administrative expenses. Total other selling, general and administrative expenses were $25.7 million for the quarter ended March 31, 2001, an increase of 542.1% over other selling, general and administrative expenses of $4.0 million for the quarter ended March 31, 2000. As a percentage of total net revenue, total other selling, general and administrative expenses increased to 14.8% for the quarter ended March 31, 2001 from 5.6% for the quarter ended March 31, 2000. Other selling, general and administrative expenses attributable to CSO and marketing services for the quarter ended March 31, 2001 were $4.8 million, an increase of 20.0% over other selling, general and administrative expenses of $4.0 million attributable to those segments for the comparable prior year period. As a percentage of net revenue from CSO and marketing services, other selling, general and administrative expenses were 6.1% and 5.6% for the quarters ended March 31, 2001 and 2000, respectively. This increase was primarily due to facilities expansion, which resulted in increased rental expense and discretionary investments in information technology and other resources needed to manage our growth, which further resulted in increased depreciation expense. Other selling, general and administrative expenses attributable to the product segment for the quarter ended March 31, 2001 were $20.9 million, or 22.0% of net product revenue, greatly impacting the total other selling, general and administrative expenses as a percentage of total net revenue. Other selling, general and administrative expenses for the product segment consisted primarily of field selling costs, increases in the allowances for bad debts, and professional fees. The company believes that it currently has adequate reserves to cover losses for bad debts and does not anticipate similar increases during the remainder of 2001. The seasonality of Ceftin sales may also cause other selling, general and adminstrative expenses to vary as a percentage of revenue.

Operating income. Operating income for the quarter ended March 31, 2001 was $16.7 million, an increase of 90.6% over operating income of $8.8 million for the quarter ended March 31, 2000. As a percentage of total net revenue, operating income decreased to 9.7% for the quarter ended March 31, 2001 from 12.3% for the comparable prior year period. Operating income for the quarter ended March 31, 2001 for the CSO and marketing services segment was $8.3 million, a decrease of 5.7% compared to the CSO and marketing services segments operating income for the quarter ended March 31, 2000 of $8.8 million. As a percentage of net revenue from the CSO and marketing services segments, operating income for the those segments decreased to 10.6% for the quarter ended March 31, 2001, from 12.3% for the comparable prior year period. Operating income for the product segment for the quarter ended March 31, 2001 was $8.5 million, or 8.9% of net product revenue.

Other income, net. Other income, net, for the quarter ended March 31, 2001 was $1.9 million and was comprised primarily of interest income. Other income, net, for the quarter ended March 31, 2000, was $684,000, consisting primarily of interest income of $1.7 million, partially offset by our share in the losses of iPhysicianNet of $945,000.

Provision for income taxes. Income taxes of $7.7 million for the quarter ended March 31, 2001 and $3.8 million for the quarter ended March 31, 2000 consisted of Federal and state corporate income taxes. The effective tax rate for the quarter ended March 31, 2001 was 41.2%, compared to an effective tax rate of 40.6% for the quarter ended March 31, 2000.

Net income. Net income for the quarter ended March 31, 2001 was $10.9 million, an increase of 94.7% from net income of $5.6 million for the quarter ended March 31, 2000.

Liquidity and capital resources

As of March 31, 2001, we had cash and cash equivalents of approximately $109.8 million and working capital of $129.8 million compared to cash and cash equivalents of approximately $109.0 million and working capital of $120.7 million at December 31, 2000.

For the three months ended March 31, 2001, net cash provided by operating activities was $8.2 million, a decrease of $8.4 million from cash provided by operating activities of $16.6 million for the same period in 2000. The main components of cash provided by operating activities for the three months ended March 31, 2001 were net income from operations of $10.9 million plus non-cash adjustments for depreciation and reserves of $2.7 million, offset by changes in "Other assets and liabilities". The balances in "Other changes in assets and liabilities" may fluctuate depending on a number of factors, including seasonality of product sales, the number and size of programs, contract terms and other timing issues; these fluctuations may vary in size and direction each reporting period. "Other changes in assets and liabilities" resulted in a net cash outflow of $5.4 million during the current quarter as compared to $9.5 million net cash inflow during the first quarter of 2000.

When we bill clients for services before they have been completed, billed amounts are recorded as unearned contract revenue, and are recorded as income when earned. When services are performed in advance of billing, the value of such services is recorded as unbilled costs and accrued profits. As of March 31, 2001, we had $23.9 million of unearned contract revenue and $7.1 million of unbilled costs and accrued profits. Substantially all deferred and unbilled costs and accrued profits are earned or billed, as the case may be, within twelve months of the end of the respective period.

For the three months ended March 31, 2001, net cash used in investing activities was $7.6 million including $4.8 million of short-term investments and $2.0 million of capital expenditures. Net cash provided by financing activities was $148,000 and consisted of the proceeds received upon exercise of employee stock options.

We have a credit agreement dated as of March 30, 2001 with a syndicate of banks, for which PNC Bank, National Association is acting as Administrative and Syndication Agent, that provides for both a three-year, $30 million unsecured revolving credit facility and a one-year, renewable, $30 million unsecured revolving credit facility. Borrowings under the agreement bear interest equal to either an average London interbank offered rate (LIBOR) plus a margin ranging from 1.5% to 2.25%, depending on our ratio of funded debt to earnings before interest, taxes depreciation and amortization (EBITDA); or the greater of prime or the federal funds rate plus a margin ranging from zero to 0.25%, depending on our ratio of funded debt to EBITDA. We are required to pay a commitment fee quarterly in arrears for each of the long-term and short-term credit facilities. These fees range from 0.175% to 0.325% for the long-term credit facility and from 0.25% to 0.40% for the short-term credit facility, depending on our ratio of funded debt to EBITDA. The credit agreement contains customary affirmative and negative covenants including financial covenants requiring the maintenance of specified consolidated interest coverage, leverage ratios and a minimum net worth.

We believe that our cash and cash equivalents, availability under our credit facilities and future cash flows generated from operations will be sufficient to meet our foreseeable operating and capital requirements for the next twelve months. We continue to evaluate and review acquisition candidates in the ordinary course of business.

Part II - Other Information

Item 1 - Not Applicable

Item 2 - Changes in Securities and Use of Proceeds

On May 19, 1998, the Company completed its initial public offering (the "IPO") of 3,220,000 shares of Common Stock (including 420,000 shares in connection with the exercise of the underwriters' over-allotment option) at a price per share of $16.00. Net proceeds to the Company after expenses of the IPO were approximately $46.4 million.

(1) Effective date of Registration Statement: May 19, 1998 (File No. 333-46321).

(2) The Offering commenced on May 19, 1998 and was consummated on May 22, 1998.

(3) Not applicable.

(4)(i) All securities registered in the Offering were sold.

(4)(ii) The managing underwriters of the Offering were Morgan Stanley Dean Witter, William Blair & Company and Hambrecht & Quist.

(4)(iii) Common Stock, $.01 par value.

(4)(iv) Amount registered and sold: 3,220,000 shares.

Aggregate purchase price: $51,520,000.

All shares were sold for the account of the Issuer.

(4)(v) $3,606,400 in underwriting discounts and commissions were paid to the underwriters. $1,490,758 of other expenses were incurred, including estimated expenses.

(4)(vi) $46,422,842 of net Offering proceeds to the Issuer.

(4)(vii) Use of Proceeds:
$46,422,000 of temporary investments with average maturities of three months as of March 31, 2001.

Item 3 - Not Applicable

Item 4 - Not Applicable

Item 5 - Not Applicable

Item 6 - Reports on Form 8-K

During the three months ended March 31, 2001, the Company filed the following reports on Form 8-K:

Date	Item	Description
February 2, 2001	5	GlaxoSmithKline Contract Cancellation
February 15, 2001	5	Earnings Press Release

SIGNATURES

In accordance with the requirements of the Exchange Act, the Registrant has caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

May 9, 2001 PROFESSIONAL DETAILING, INC.

By: /s/ Charles T. Saldarini

Charles T. Saldarini
Chief Executive Officer

By: /s/ Bernard C. Boyle

Bernard C. Boyle
Chief Financial and Accounting
Officer