



Apogee Enterprises 1st Quarter Earnings Exceed Expectations; Company Maintains Guidance for Fiscal 2003

June 17, 2002

MINNEAPOLIS, Jun 17, 2002 (BUSINESS WIRE) -- Apogee Enterprises, Inc. (Nasdaq:APOG), which develops and delivers value-added glass products and services for the architectural, large-scale optical and automotive industries, today announced that first quarter fiscal 2002 earnings were \$0.18 per share, or \$5.2 million, versus \$0.20 per share, or \$5.6 million in the fiscal 2002 first quarter. All earnings per share figures refer to diluted earnings per share. Revenues for the first quarter totaled \$184.7 million, down 9 percent compared to revenues of \$203.6 million in the same period last year. Apogee's operating income in the first quarter increased to \$9.7 million from \$8.0 million in the prior-year period. Correspondingly, the company's operating margin improved significantly to 5.3 percent in the first quarter, compared to 3.9 percent in the prior-year period.

"I am pleased with our performance in what we knew would be a tough quarter, given the slowdown in our largest market - construction," said Russell Huffer, Apogee chairman, president and chief executive officer. "As we had anticipated, our revenues and earnings were below last year. However, earnings did significantly exceed expectations as a result of our ongoing focus on operational improvements and asset management.

"We are encouraged that our first quarter architectural segment operating income exceeded our expectations as we continue to improve operations," said Huffer. "The auto glass segment remains a challenge as revenues and unit volume were down due to the unusually mild winter and ongoing industry softness.

"We further strengthened our balance sheet as we reduced long-term debt \$12.6 million to a level of \$56.5 million at the end of the first quarter."

Architectural products and services

First quarter revenues for Apogee's largest segment, architectural products and services, declined as expected due to the construction industry slowdown. Revenues decreased 7 percent to \$108.0 million, compared to \$116.2 million in the prior-year quarter. Operating income was \$6.4 million, compared to \$7.0 million a year ago. The operating margin remained at 6.0 percent, as in the previous-year period.

The architectural segment backlog was down slightly to \$183.4 million, compared to \$189.8 million for the first quarter last year and \$192.7 million at the end of fiscal 2002. A portion of the backlog decline has resulted from a more than 25 percent improvement in lead times over the last year by Viracon, Apogee's architectural glass fabrication business. Overall, the backlog continues to reflect the segment's focus on complex, value-added projects which have longer lead times from project approval to production and less predictable schedules.

Automotive replacement glass and services

Automotive segment revenues for the first quarter were \$60.4 million, down from \$66.9 million in the prior-year period. The unusually mild winter weather and weaker industry conditions resulting from the soft economy led to lower unit volume. The segment reported operating income of \$4.7 million, compared to \$1.5 million in the same period last year. This improvement was from a \$1.4 million gain on disposal of assets and the supply agreement amendments related to the PPG Auto Glass, LLC joint venture, partially offset by a modest decline in the performance of the retail windshield replacement business.

Large-scale optical technologies

First quarter large-scale optical segment revenues were \$16.4 million, down 20 percent from \$20.5 million in the prior-year period, which included the San Diego CRT coating facility that was closed in May 2001. The segment reported an operating loss of \$0.9 million compared to break-even performance in the same period last year. Although results continued to be impacted by the slowed retail markets, the segment showed continued improvement during the quarter compared to the fourth quarter.

Equity in affiliates

Apogee's loss from investments in affiliated companies was \$1.1 million in the first quarter, versus income of \$2.1 million in the prior-year period. This decrease was due to the amendments made to the supply agreements related to the PPG Auto Glass joint venture, as well as to a decline in the performance of the joint venture as a result of the mild winter weather and a slow auto glass industry. This decline was partially offset by elimination of funding for the TerraSun joint venture, which was shut down last year.

Financial condition

Apogee continued to employ its strong cash flow during the quarter to reduce its long-term debt by \$12.6 million to \$56.5 million, from \$69.1 million at the end of the fourth quarter. The company's debt-to-total-capital ratio continues to improve and was 24 percent at the end of the quarter, compared to 41 percent at the end of last year's first quarter.

Apogee's EBITDA was \$15.8 million for the first quarter, up from \$14.9 million in the same period last year. In the first quarter, depreciation and amortization totaled \$6.1 million, compared with \$7.0 million in the year-ago quarter. Working capital decreased to \$46.6 million at the end of the quarter, versus \$47.9 million at the end of the fourth quarter. Capital expenditures were \$3.4 million in the quarter, up from \$2.7 million in last year's first quarter.

Outlook

"We are holding our guidance for the year at \$1.00 per share," Huffer said. "We remain focused on consistent earnings growth, and are looking for a projected \$12 million in one-time and ongoing savings from our Six Sigma initiatives to help us improve operations and margins. Strengthening our balance sheet is also a priority, and we'll continue to use our strong cash flow to pay down debt and complete the previously announced share repurchase program.

"The outlook for our largest segment, architectural, remains cautious, although our inbound order rate and bid activity have improved slightly. Recent industry data showed a deterioration in the first half of calendar 2002 but project a stronger second half, followed by recovery in calendar 2003," said Huffer. "Our auto glass businesses continue to be challenged by weak industry conditions and retail market share declines due to the competitive pricing environment. Our outlook for this segment relies on retail's ability to regain share. The large-scale optical markets, which follow general economic and retailing indicators, are improving, and we continue to expect second half growth from new product introductions and expanded distribution.

The following statements are based on current expectations for Fiscal 2003. These statements are forward-looking, and actual results may differ materially.

- Overall revenue growth is anticipated to be flat to low single digits, with year-on-year growth occurring in the second half of the year.
- Architectural segment is expected to have flat to low single digit revenue growth for the year, with growth in the second half dependent on an improving construction industry.
- Automotive replacement glass segment revenue outlook revised to down 3 to 5 percent for the year consistent with industry trends resulting from an exceptionally mild winter and competitive conditions. This outlook depends upon the ability of retail to recapture market share.
- Large-scale optical technologies segment revenues are expected to grow in the high single digits, driven by the timing of improvements in retail consumer electronics and framing markets and the success of new product initiatives. For the balance of the year, revenue growth is expected to average approximately 25 percent compared to the prior year, with revenues building as the year progresses.
- Gross margin percentages are expected to improve slightly, with operating efficiencies achieved largely through Six Sigma initiatives offsetting increases in wages, health care and insurance costs. At the same time, there is expected to be increased margin pressure in the architectural and automotive segments driven by competitive actions in soft markets.
- Sales, general and administrative expenses will grow slightly, as will SG&A as a percent of sales, due to investments in marketing and information technology initiatives.
- Equity in affiliates outlook revised to an expected loss for the year, as the wholesale auto glass market served by our auto glass distribution joint venture has been more severely impacted by the increasingly difficult industry conditions. Equity in affiliates will be helped by the elimination of funding for the TerraSun joint venture closed in fiscal 2002.
- Capital expenditures remain targeted at \$20 million, and Apogee will continue with its share repurchase program implemented during the first quarter.
- Debt is expected to be reduced to well below \$50 million by year-end.
- Earnings per share are expected to reach \$1.00 per share, with year-on-year growth anticipated in the second half. The elimination of amortization under the new method of accounting for goodwill is contributing approximately \$0.05 cents of the anticipated full-year earnings improvement. The revised

internal quarterly EPS targets are: Q2, \$0.28; Q3, \$0.34; and Q4, \$0.20.

The discussion above, including all of the statements in this outlook section, contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements reflect management's current expectations or beliefs. There can be no assurances that Harmon AutoGlass will recapture market share and increase sales. There can be no assurances that PPG Auto Glass, Apogee's automotive replacement glass distribution joint venture with PPG Industries, will achieve favorable long-term operating results. In addition, there can be no assurances that Apogee's architectural segment, which serves high-end markets with value-added products, will not be further impacted by the slowed economy. There also can be no assurances that there will not be additional erosion in large-scale optical segment revenues due to the severe downturn in the PC industry and a slowdown in retail markets. The company cautions readers that actual future results could differ materially from those described in the forward-looking statements depending upon the outcome of certain factors, including the risks and uncertainties identified in Exhibit 99 to the company's Report on Form 10-K for the fiscal year ended March 2, 2002.

Teleconference and webcast

Analysts, investors and media are invited to listen to Apogee's live teleconference or webcast at 1 p.m. Central Daylight Time (2 p.m. Eastern Daylight Time) tomorrow, Tuesday, June 18. To participate in the teleconference, call 1-877-679-9049 toll free or 952-556-2803 local, and reference "Apogee Enterprises." The replay will be available from 4 p.m. Central Daylight Time on Tuesday, June 19 through midnight Central Daylight Time on Tuesday, June 25, by calling 1-800-615-3210 toll free, access code 6039862. To listen to the live conference call over the internet, go to the Apogee web site at <http://www.apog.com> and click on "investor relations" and then the webcast link at the top of that page. The webcast also will be archived on the company's web site.

Apogee Enterprises, Inc., headquartered in Minneapolis, is a world leader in technologies involving the design and development of value-added glass products, services and systems. The company is organized in three segments:

- Architectural products and services companies design, engineer, fabricate, install and renovate the walls of glass and windows comprising the outside skin of commercial and institutional buildings. Businesses in this segment are: Viracon, the leading fabricator of coated, high-performance architectural glass for global markets; Harmon, Inc., the largest U.S. full-service building glass installation, maintenance and renovation company; Wausau Window and Wall Systems, a manufacturer of custom aluminum window systems and curtainwall; and Linetec, an architectural paint and anodizing finisher.
- Automotive replacement glass and services companies fabricate, repair and replace automobile windshields and windows. Businesses in this segment are: Harmon AutoGlass, a U.S. chain of retail auto glass replacement and repair shops; and Viracon/Curvlite, a U.S. fabricator of aftermarket foreign and domestic car windshields.
- Large-scale optical technologies companies develop and produce high technology glass that enhances the visual performance of products for the display, imaging and picture framing industries. Businesses in this segment are: Tru Vue, a North American value-added glass and matboard manufacturer for the custom framing and pre-framed art markets; and Viratec, a producer of optical thin film coatings for the global display and imaging markets.

Apogee Enterprises, Inc. & Subsidiaries
Consolidated Condensed Statement of Income
(Unaudited)

Dollar amounts in thousands, except for per share amounts	Thirteen Weeks Ended June 1, 2002	Thirteen Weeks Ended June 2, 2001	%
			Change
Net sales	\$184,709	\$203,606	-9%
Cost of goods sold	138,757	158,302	-12%
Gross profit	45,952	45,304	1%

Selling, general and administrative expenses	36,250	37,332	-3%
Operating income	9,702	7,972	22%
Interest expense, net	992	1,921	-48%
Equity in (loss) income of affiliated companies	(1,118)	2,068	N/M
Earnings from continuing operations before income taxes and other items below	7,592	8,119	-6%
Income taxes	2,354	2,517	-6%
Net earnings	\$5,238	\$5,602	-6%
Earnings per share - basic	\$0.19	\$0.20	-5%
Average common shares outstanding	28,060,382	27,673,696	1%
Earnings per share - diluted	\$0.18	\$0.20	-10%
Average common and common equivalent shares outstanding	29,090,059	28,318,715	3%
Cash dividends per common share	\$0.055	\$0.053	5%

Business Segments Information
(Unaudited)

	Thirteen Weeks Ended June 1, 2002	Thirteen Weeks Ended June 2, 2001	% Change
Sales			
Architectural	\$107,993	\$116,225	-7%
Auto Glass	60,361	66,877	-10%
Large-Scale Optical	16,355	20,507	-20%
Eliminations	--	(3)	N/M
Total	\$184,709	\$203,606	-9%
Operating income (loss)			
Architectural	\$6,425	\$7,020	-8%
Auto Glass	4,683	1,463	220%
Large-Scale Optical	(918)	(16)	-5638%
Corporate and other	(488)	(495)	1%
Total	\$9,702	\$7,972	22%

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