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FinancialFlash

Apogee Sees Increased Earnings But Lowered Forecast

While Minneapolis-based Apogee Enterprises Inc. announced increased earnings for fiscal 2009, its forecast for the full fiscal year 2009 has dropped since its last optimistic prediction earlier this year.

At $245.0 million, second quarter revenues were up 13 percent from the prior-year period. Operating income was $18.8 million, up 9 percent from the prior-year period. Architectural segment revenues grew 15 percent, and operating income increased 6 percent over the prior-year period.

The architectural products and services business segment had revenues of $228.6 million, up 15 percent over the prior-year period, primarily from the ac-

Apogee Enterprises Inc. & Subsidiaries Consolidated Condensed Statement of Income

(Unaudited - Dollar amounts in thousands, except for per share amounts)

	13 Weeks Ended 8/30/08	13 Weeks Ended 9/1/07	% Change	26 Weeks Ended 8/30/08	26 Weeks Ended 9/1/07	% Change
Net sales	$244,970	$217,673	13%	$483,439	$427,558	13%
Cost of goods sold	196,433	170,810	15%	385,904	337,807	14%
Gross profit	48,537	46,863	4%	97,535	89,751	9%
Selling, general and administrative expenses	29,740	29,598	0%	62,104	57,520	8%
Operating income	18,797	17,265	9%	35,431	32,231	10%
Interest income	232	237	-2%	470	447	5%
Interest expense	334	689	-52%	826	1,141	-28%
Other income (expense), net	50	(32)	N/M	121	(12)	N/M
Equity in income (loss) of affiliated companies	293	1,493	-80%	(86)	1,476	N/M
Earnings from continuing operations before income taxes	19,038	18,274	4%	35,110	33,001	6%
Income taxes	6,747	6,487	4%	12,540	11,489	9%
Earnings from continuing operations	12,291	11,787	4%	22,570	21,512	5%
(Loss) earnings from discontinued operations	(74)	(313)	76%	(151)	1,658	N/M
Net earnings	$12,217	$11,474	6%	$22,419	$23,170	-3%
Earnings per share - basic:						
Earnings from continuing operations	$0.44	$0.42	5%	$0.80	$0.76	5%
(Loss) earnings from discontinued operations	$-	($0.02)	N/M	$-	$0.06	NM
Net earnings	$0.44	$0.40	10%	$0.80	$0.82	-2%
Average common shares outstanding	27,992,112	28,385,538	-1%	28,102,744	28,267,707	-1%
Earnings per share - diluted:						
Earnings from continuing operations	$0.43	$0.40	7%	$0.79	$0.74	7%
(Loss) earnings from discontinued operations	$-	($0.01)	N/M	$-	$0.06	-100%
Net earnings	$0.43	$0.39	10%	$0.79	$0.80	-1%
Average common and common equivalent shares outstanding	28,441,027	29,197,737	-3%	28,549,286	29,041,349	-2%
Cash dividends per common share	$0.0740	$0.0675	10%	$0.1480	$0.1350	10%

quisition of Tubelite in December 2007 (*see January 2008 **USG**lass, page 18*). Operating income was up 6 percent from a year ago at $15.2 million. An operating margin of 6.7 percent includes what Apogee says is the negative impact of operating challenges in the architectural glass business, offset by improved operating margins in the installation and window businesses. This compared to 7.3 percent in the prior-year period. With the architectural glass business running at full capacity during the quarter, the financial report states that labor costs were higher than planned to overcome production bottlenecks while maintaining a focus on delivering complete orders on-time to customers.

"Architectural segment revenue growth continued in the second quarter, and operating performance was strong in all segment businesses except architectural glass, where internal operational challenges impacted us throughout the quarter," says Russell Huffer, chairperson and chief executive officer. He explains, "We are bringing down our fiscal 2009 full-year guidance due to softer and uncertain architectural market conditions that are resulting in project delays and cancellations in our architectural glass business, along with operational issues this business experienced in the second quarter."

Huffer also cited "the internal operational challenges in our architectural glass fabrication business that affected us in the second quarter" as well as "expected second-half cost increases, primarily for fuel and petroleum-based materials …"

Backlog was $446.7 million, compared to $405.4 million in the prior-year period and $491.0 million at the end of the first quarter. Backlog declined for all businesses compared to the first quarter, due to slowing bid to award timing, cancellation of two casino projects and increasing competitive pressures in commercial construction markets.

In fiscal 2009, the company expects earnings from continuing operations of $1.65 to $1.82 per share, down from of $1.82 to $1.94 per share primarily due to project delays and cancellations. Overall revenues for the year are expected to increase 9 to 12 percent; prior guidance was 12 to 15 percent.

"The nonresidential market changes have caused some work to move out of the current fiscal year, and it appears we will not be able to fill in all open capacity that has been created due to the long selling cycle for much of our architectural glass and window work," says Huffer. "At the same time, while bidding activity remains strong, future work is not filling in our backlog as quickly as we had anticipated."

www.apog.com

Glaston Sees Sales Rise, Profits Drop in First Half 2008

During the first half of 2008, Finland-based Glaston Corp.'s net sales grew by 10 percent to $193.3 million USD (135.7 million EUR)—while operating profit, excluding non-recurring items, dropped slightly to $7.7 million USD compared to $7.8 million USD during the same period in 2007.

"In the first half of the year, the architectural glass market continued to grow," says Mika Seitovirta, president and chief executive officer. "The solar energy market also continued to be active, but customers' decision-making times have lengthened significantly. As a result, orders received were below the level of the previous year, which was a record high."

The pre-processing business in particular invested in product development directed toward product integration and solutions to serve the growing architectural and solar energy markets. That business area saw big regional differences, according to the financial report. Demand in North America weakened significantly as a consequence of what Glaston calls "the construction industry crisis," while the South American and Chinese markets continued their growth. Sales in the Western, Central and Eastern Europe, the Middle East and Africa (EMEA) were at the previous year's level.

Seitovirta notes, "During the early part of the year, the profitability of the heat treatment and software solutions business areas was good. Measures to improve the profitability of the pre-processing business area were forcefully continued by the business area's new management."

The heat treatment business area's market situation remained strong in the EMEA area and in South America, while it too weakened in North America. The solar energy market developed positively and demand was high. To strengthen this segment, measures continued to increase production of machines in China.

Seitovirta adds, "The Group's result was again significantly burdened by the strongly loss-making result of heat treatment's Tamglass Glass Processing Ltd., which operates in Finland. The operating result was -$4.1 million USD during the first six months of the year."

On July 30 the group announced that this subsidiary would close its working machine and special automotive glass business and in turn enhance its architectural glass business (*see September 2008 **USG**lass, page 20*).

In July, the company also announced that it was lowering its 2008 net sales and operating profit forecasts. Both are expected to be at the previous year's level.

Contirbuting to this lowered forecast are a number of "significant uncertainty factors" which the group is anticipating, mostly connected with the development of the global economy and particularly with the market downturn in the United States and the development of the U.S. dollar exchange rate.

www.glaston.net