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Huffy Corporation Third Quarter Results Within Expected Range

MIAMISBURG, Ohio, Oct. 16 /PRNewswire/ – HUFFY CORPORATION (NYSE: HUF) today announced a net loss for the third quarter of \$2.8 million or \$0.27 per share of common stock, compared to net earnings of \$5.2 million or \$0.50 per common share for the third quarter of 2000. The loss from continuing operations for the third quarter was \$2.8 million or \$0.27 per common share, compared to earnings from continuing operations for the same period last year of \$4.9 million or \$0.47 per common share. Earnings during the third quarter of 2000 were favorably impacted by \$1.4 million or \$0.14 per common share as a result of the sale of surplus assets during the quarter, by earnings from discontinued operations and extraordinary gain.

For the nine-month period ended September 30, 2001, the net loss was \$1.0 million or \$0.10 per common share versus net income of \$8.6 million or \$0.84 per common share for the same period in 2000. The loss from continuing operations for the nine-month period ended September 30, 2001, was \$1.0 million or \$0.10 per common share for the nine-month period, compared to net earnings of \$4.4 million or \$0.44 per common share for the same period last year. For the nine-month period ended September 30, 2001, discontinued operations contributed earnings of \$4.9 million or \$0.47 per common share while reconfiguration, refinancing, and extraordinary charges for the first nine months of 2000 generated a net loss of \$2.0 million or \$0.20 per common share.

Net sales for the third quarter of 2001 were \$77.9 million compared to net sales of \$123.9 million for the third quarter of 2000, a decrease of \$46.0 million or 37.1%, almost all attributable to lower sales of (R) scooters. For the first nine months of 2001, sales were \$246.0 million compared to sales of \$346.0 million for the same period in 2000, a decrease of 28.9%. Gross margins for the third quarter were down approximately 44.3% from gross margins in the third quarter of 2000. Overall, gross margin was down 7.8 points during the third quarter versus the same period last year, with the majority of the decline coming from the lower scooter sales and a shift to lower price point sales in the bicycle business. On a year to date basis, corporate wide gross margins for continuing operations were 12.8%, a 2.7 percentage point decrease when compared to gross margins for the first nine months of 2000.

In commenting on results for the third quarter, Don Graber, Chairman, President and CEO said, "The third quarter of 2001 was obviously disappointing by this quarter's results. Huffy sold almost \$44 million of scooters in the third quarter of 2000 and virtually no scooters in the third quarter of this year - that \$44.0 million in scooter sales accounts for 95% of the difference in sales, year over year. The expenses related to the Schwinn transaction, as anticipated, exceeded the amount recovered through the break-up fee by \$0.8 million. The loss of the higher gross margins associated with scooters had a significant impact on the quarter's results."

"Despite the continued softness in the economy and the political uncertainty arising from the tragic events of September 11th, there were some bright spots in the quarter. Although the bicycle business continues to be soft, we are seeing strong sell through of new products, such as the new mini-bike, which are now arriving at retail. Sales in the combined basketball backboard and service businesses were up by 5.5% during the third quarter when compared to last year. Earnings in the backboard business were up by approximately 25% when compared to the third quarter in 2000. While the service business traditionally operates at levels close to break-even in the third quarter, this year excellent cost control and aggressive pursuit of new business opportunities resulted in solid earnings for the quarter. Nonetheless, we continue to see a challenging retail environment and considerable uncertainty as to the direction of the economy over the next several months."

Graber concluded by saying, "We expect the fourth quarter to continue to be challenging as retail orders may be delayed or canceled, and we may seek extended payment terms from our suppliers and the instability in the economy may impact our ability to collect receivables."

the political climate remains. We believe that the weak retail environment will contribute to weak fourth quarter results than earlier forecast and anticipate that, for the year, earnings will be lower than the previously announced range of \$0.00 to \$0.12 per share, possibly leading to a modest loss. With and short-term investments of more than \$14.0 million at the end of September, we nonetheless anticipate having cash in excess of \$20.0 million at year-end, and remain well positioned to pursue opportunities to add to shareholder value. Our business model, our continuing emphasis on cost and strong focus on cash generation have served us well thus far. However, given the current economic climate, we have raised our internal target for cost reductions, and are aggressively pursuing additional savings in both the cost-of-product and administrative areas. We fully expect to have lowered the annual SG&A spending rate by more than \$10.0 million before the end of 2001. Finally, we will continue to work with Sheffield Merchant Banking Group, our external financial advisors, as we evaluate additional acquisition alternatives."

Huffy Corporation is a leading provider of consumer and retail services and a leading supplier of bicycles and home basketball equipment.

The discussion in this press release contains forward-looking statements and is qualified by the cautionary statements contained in the Company's report on Form 10-K, dated March 6, 2001.

HUFFY CORPORATION
CONSOLIDATED STATEMENTS OF EARNINGS
(Dollars in thousands, except per share data)

	Quarter Ended		Nine Months En	
	September 30,		September 3	
	2001	2000	2001	2000
Net sales	\$77,945	\$123,875	\$246,052	\$345,100
Gross profit	7,677	21,841	31,389	53,100
% to net sales	9.8%	17.6%	12.8%	15.4%
Selling, general and administrative expenses	11,150	12,536	32,282	37,100
Plant closure & manufacturing reconfiguration	0	(1,817)	0	1,100
Operating income	(3,473)	11,122	(893)	15,100
Other expense				
Interest expense, net	267	2,714	759	7,100
Other	870	1,364	116	1,100
Total	1,137	4,078	875	8,200
Earnings (loss) before income taxes	(4,610)	7,044	(1,768)	6,900
Income tax expense (benefit)	(1,809)	2,175	(729)	2,100
Net earnings(loss) from continuing operations	(2,801)	4,869	(1,039)	4,800
Discontinued operations:				
Income from discontinued operations, net of income tax expense of \$71 and \$2,541.	-	160	-	4,000
Net earnings (loss) before extraordinary item	(\$2,801)	\$5,029	(\$1,039)	\$8,800
Extraordinary earnings (loss), net of income tax benefit (\$130)				

and (\$389).	\$0	\$213	\$0	(
Net earnings (loss)	(\$2,801)	\$5,242	(\$1,039)	\$8
Earnings per common share:				
Weighted average number of common shares	10,323,058	10,385,678	10,269,891	10,303
DILUTED:				
Earnings (loss) from operations	(\$0.27)	\$0.36	(\$0.10)	\$
Earnings (loss) from reorganization and refinancing	\$0.00	\$0.11	\$0.00	(\$
Earnings (loss) from continuing operations	(\$0.27)	\$0.47	(\$0.10)	\$
Earnings (loss) from discontinued operations	\$0.00	\$0.01	\$0.00	\$
Earnings (loss) from extraordinary charges	\$0.00	\$0.02	\$0.00	(\$
Net earnings (loss) per common share	(\$0.27)	\$0.50	(\$0.10)	\$

BALANCE SHEET HIGHLIGHTS (Dollars in thousands, except per share data)

September 30, December 31, September 30,

	2001	2000	20
Cash and cash equivalents	\$14,315	\$4,334	\$4,
Receivables, net	52,461	79,811	73,
Inventories	34,685	43,324	37,
Prepaid expenses and other expenses	26,238	28,344	35,
Net assets of discontinued operations	0	0	43,
Total current assets	127,699	155,813	194,
Property, plant and equipment, net	11,429	12,680	14,
Intangibles and others	12,870	12,000	23,
Total assets	\$151,998	\$180,493	\$232,
Notes payable and current portion of long-term debt	\$0	\$17,656	\$82,
Accounts payable and accruals	60,088	63,736	77,
Income taxes and other	2,551	8,278	7,
Total current liabilities	62,639	89,670	167,
Long-term debt	0	0	
Other liabilities	16,256	17,692	18,
Shareholders' equity	73,103	73,131	47,
Total liabilities and shareholders' equity	\$151,998	\$180,493	\$232,
Equity per common share outstanding	\$7.04	\$7.15	\$4
Working capital ratio	2.0	1.7	

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SOURCE Huffy Corporation

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