



Quanex Reports Record Earnings for Fiscal 2000 First Quarter; - Basic and Diluted EPS of 29 Cents, Up From 27 Cents Compared With Same Period Last Year; - Nichols Aluminum, MACSTEEL(R) Post Record First-Quarter Operating Income, Higher Sales

February 24, 2000

HOUSTON, Feb. 24 /PRNewswire/ -- Quanex Corporation (NYSE: NX) today announced fiscal 2000 first-quarter earnings, including record sales and earnings for the three-month period ending January 31. Net income for the three-month period was \$4.2 million, representing basic and diluted earnings per share of 29 cents. This compares with net income of \$3.9 million and basic and diluted earnings per share of 27 cents for the same period last year. Sales for the first quarter were \$199.3 million, up 9 percent compared with sales of \$183.1 million for fiscal 1999's first quarter.

The company's engineered steel bar and aluminum mill sheet products businesses posted record first-quarter operating income and significantly higher sales compared with the same period last year. These results reflect a more value-added product mix, operational improvements, and seasonally strong markets with customers in the transportation and construction industries.

First Quarter Business Results

The MACSTEEL Group, Quanex's engineered steel bar business, earned best-ever first-quarter operating income of \$11.8 million, up 5 percent compared with \$11.3 million reported in the prior year. Fiscal 2000's first-quarter net sales increased 22 percent to \$79.7 million. For the same period last year net sales were \$65.1 million.

Nichols Aluminum, the company's aluminum sheet products business, posted first-quarter operating income of \$2.2 million, matching the record of \$2.2 million reported for the prior year. Net sales were a first-quarter record at \$79.7 million, up 12 percent from \$71.4 million reported for the same period last year.

The Engineered Products Group (AMSCO, Homeshield Fabricated Products, Piper Impact, and Piper Impact-Europe) reported an operating loss of \$1.6 million, compared with an operating loss of \$222,000 in the prior year's first quarter. Net sales for the period were \$45.2 million, down from \$52.7 million in the previous year.

Outlook

"I am pleased to report that Quanex posted another strong quarter with higher sales and earnings compared with the same period a year ago," said Vernon E. Oechsle, chairman of the board and chief executive officer of Quanex. "In what has historically been the slowest period of the year due to the holidays, model year changeovers, and other factors, we achieved year-over-year improvement in sales, net income, and earnings per share. We are running our businesses better, operating more efficiently and manufacturing more value-added products.

"The MACSTEEL Group reported record period results for the third consecutive quarter," Oechsle said. "This was achieved despite scheduled shutdowns due to the holidays and Phase V expansion projects at our engineered bar mills. While demand for MACSTEEL products is high and the backlog for orders looks strong, scrap markets are a little tighter, contributing to reduced spreads from a year ago." Sales of MACPLUS(R), a premium, value-added cold-finished steel bar, are at record levels. Higher volumes are being realized from last year's completion of Phase IV expansion projects, which boosted cold-finishing capacity at both of MACSTEEL's engineered bar mills.

"Nichols Aluminum is building on its record-setting performance from last year with best-ever first-quarter results for sales and operating income for the three-month period just completed," Oechsle said. "With the acquisition from Alcoa (NYSE: AA) of a high-quality, value-added aluminum sheet casting and rolling mill based in Fort Lupton, Colorado, this division is well-positioned for further growth and another record year." The newly acquired mill, which has been renamed Nichols Aluminum-Golden, was purchased in January 2000. It produces high-grade aluminum alloys that bring our Nichols division into more value-added applications. The plant features full finishing capabilities, including a paint line, for the production of aluminum sheet used for beverage can end-tabs, lids, and other food and packaging markets, as well as for other high quality, engineered consumer durable products.

"Lower revenues at Piper Impact due to declining sales of aluminum automotive air bag products were the major contributor to the first-quarter loss posted by the Engineered Products Group. Sales for the Fabricated Products unit (AMSCO and Homeshield) during the fiscal 2000 first-quarter period also were off from the seasonally high levels of a year ago. We are aggressively pursuing new business, and I'm encouraged with the amount of sales growth activity underway. New applications for our specialized roll-forming and impact-extrusion technologies are being developed. Several prototypes have been delivered and trials are taking place with both new and existing customers," he said.

Other

In December 1999, Quanex announced a program to repurchase the company's common stock. At the end of fiscal 2000's first quarter, the company had repurchased approximately 157,000 shares at a cost of nearly \$3.8 million.

At the annual meeting of Quanex shareholders held February 23, 2000, Donald G. Barger and Vernon E. Oechsle were elected to the board of directors for terms expiring in 2003. Also, the company's 1996 Employee Stock Option and Restricted Stock Plan was amended to increase the number of authorized shares that can be issued under the plan.

Portions of the statements above are based on current expectations. Statements that use the word "expect", "should", "will", or similar words reflecting future expectation or belief are forward-looking statements and actual results or events may differ materially. For a more complete discussion of factors that may affect the Company's future performance, please refer to the company's most recent filings under the Securities Exchange Act of 1934, in particular, the sections titled "Private Securities Litigation Reform Act" contained therein.

Dividend Declared

The Board of Directors declared a regular quarterly dividend of 16 cents per share on the company's common stock, payable March 31, 2000, to shareholders of record on March 17, 2000.

Corporate Profile

Quanex is a technological leader in the production of value-added, engineered steel bars; aluminum flat-rolled products; and engineered, formed-metal products for customers in the transportation, capital equipment, packaging, homebuilding and remodeling, defense, and other commercial markets.

Latest 12 Months Financial Information

Sales: \$826.3 million; EBITDA: \$118.1 million; Operating income: \$71.5 million; Net income: \$39.6 million; Basic earnings per share: \$2.78; Quarterly common dividend rate (per share): \$.16; Book value per common share: \$21.33; Long-term debt to capitalization: 38.6%; Return on common equity: 13.8%; Actual number of common shares outstanding: 14,047,890; Common stock price range (52-week hi - low): \$29 - \$15 3/8.

QUANEX CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)

	Three months ended January 31, 2000 1999 (Unaudited)	
Net sales	\$199,294	\$183,103
Cost of sales	165,643	148,735
Selling, general and administrative expense	13,282	14,302
Depreciation and amortization	12,162	11,572
Operating income	8,207	8,494
Interest expense	(3,330)	(3,681)
Capitalized interest	544	346
Other, net	1,002	794
Income before income taxes	6,423	5,953
Income tax expense	(2,248)	(2,084)
Net income	\$4,175	\$3,869
Weighted average common shares outstanding:		
Basic	14,172	14,224
Diluted	14,360	14,234
Earnings per common share:		
Basic:		
Total basic net earnings	\$0.29	\$0.27
Diluted:		
Total diluted net earnings	\$0.29	\$0.27
Common stock dividends per share	\$0.16	\$0.16

QUANEX CORPORATION INDUSTRY SEGMENT INFORMATION

(In thousands)

	Three months ended January 31, 2000 1999 (Unaudited)	
Engineered Steel Bars:		
Net sales	\$79,742	\$65,097
Operating income	\$11,835	\$11,303
Aluminum Mill Sheet Products:		
Net sales	\$79,720	\$71,420
Operating income	\$ 2,203	\$ 2,165

Engineered Products:		
Net sales	\$45,217	\$52,664
Operating income	\$(1,626)	\$ (222)
Corporate and Other:		
Net sales	\$(5,385)	\$(6,078)
Operating income	\$(4,205)	\$(4,752)
Total:		
Net sales	\$199,294	\$183,103
Operating income	\$ 8,207	\$ 8,494

QUANEX CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands)

January 31, 2000 1999 (Unaudited)		Assets	October 31, 1999 1998 (Audited)	
\$21,955	\$21,405	Cash and equivalents	\$25,874	\$26,279
91,816	78,804	Accounts and notes receivable, net	87,204	85,166
97,594	80,615	Inventories	78,463	85,397
13,505	13,342	Other current assets	20,846	12,970
224,870	194,166	Total current assets	212,387	209,812
416,543	397,638	Property, plant and equipment, net	406,841	395,054
47,715	51,302	Goodwill, net	48,990	52,281
23,812	17,166	Other assets	22,228	17,141
\$712,940	\$660,272	Total assets	\$690,446	\$674,288
Liabilities and stockholders' equity				
\$ 79,004	\$ 65,373	Accounts payable	\$70,187	\$75,160
13,462	---	Accrued payable - acquisition	---	---
47,615	47,358	Accrued expenses	54,305	56,125
9,226	13,583	Current portion of long-term debt	10,545	12,248
3,176	3,473	Income taxes payable	1,103	3,300
152,483	129,787	Total current liabilities	136,140	146,833
188,121	189,425	Long-term debt	179,121	188,302
7,004	8,181	Deferred pension credits	6,691	7,832
7,452	7,197	Deferred postretirement welfare benefits	7,490	7,092
43,531	32,797	Deferred income taxes	43,910	33,412
14,711	18,617	Other liabilities	16,033	18,773
413,302	386,004	Total liabilities	389,385	402,244
299,638	274,268	Total stockholders' equity	301,061	272,044
\$712,940	\$660,272	Total liabilities and stockholders' equity	\$690,446	\$674,288

QUANEX CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOW
(In thousands)

	Three months ended	
	January 31,	
	2000	1999
	(Unaudited)	
Operating activities:		
Net income	\$ 4,175	\$ 3,869
Depreciation and amortization	12,300	11,712
Deferred income taxes	30	(603)
Deferred pension and postretirement benefits	273	454

	16,778	15,432
Decrease in accounts and notes receivable	811	6,153
(Increase) decrease in inventory	(6,103)	4,615
Increase (decrease) in accounts payable	4,150	(9,636)
Decrease in accrued expenses	(9,642)	(8,686)
Other, net (including income tax refund)	8,107	(231)
Cash provided by continuing operations	14,101	7,647
Investment activities:		
Acquisition of Golden Aluminum, net of cash acquired	(6,406)	---
Capital expenditures, net of retirements	(14,458)	(14,530)
Cash used by other investment activities	(892)	(239)
Cash used by investment activities	(21,756)	(14,769)
Financing activities:		
Bank borrowings, net	9,169	3,694
Purchase of subordinated debentures	---	(400)
Purchases of Quanex common stock	(3,785)	---
Common dividends paid	(2,296)	(2,280)
Issuance of common stock, net	620	1,276
Cash used by other financing activities	(24)	(26)
Cash provided by financing activities	3,684	2,264
Effect of exchange rate changes on cash and equivalents	52	(16)
Decrease in cash	(3,919)	(4,874)
Beginning of period cash and equivalents	25,874	26,279
End of period cash and equivalents	\$21,955	\$21,405
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SOURCE Quanex Corporation

Web site: <http://www.quanex.com>

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