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Attention Business/Financial Editors:

Magellan Aerospace Corporation Fourth Quarter Report December 31, 2001

TORONTO, March 12 /CNW/ - Magellan Aerospace Corporation (the "Corporation") is listed on the Toronto Stock Exchange under the symbol MAL. The Corporation is a diversified supplier of components to the aerospace industry. Through its network of facilities throughout North America, Magellan supplies leading aircraft manufacturers, airlines and defence agencies throughout the world.

Financial Results

The Corporation announced its financial results for the quarter and year ended December 31, 2001 on March 12, 2002. The results are summarized as follows:

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Expressed in thousands, except per share amounts	Three Months Ended December 31			Twelve months ended December 31		
	2001	2000	PERCENTAGE CHANGE	2001	2000	PERCENTAGE CHANGE
Revenues	\$ 156,802	\$ 161,561	-2.9%	\$ 614,461	\$ 625,393	-1.7%
Net Income	\$ 9,209	\$ 11,725	-21.5%	\$ 40,564	\$ 37,913	+7.0%
Net Income Per Share	\$ 0.14	\$ 0.18	-22.2%	\$ 0.62	\$ 0.59	+5.1%
EBITDA	\$ 22,205	\$ 29,281	-24.2%	\$ 92,906	\$ 98,237	-5.4%
EBITDA Per Share	\$ 0.34	\$ 0.45	-24.4%	\$ 1.41	\$ 1.52	-7.2%

Management's Discussion & Analysis

Events in the commercial aerospace sector, caused by the combination of current economic conditions and the September 11th disaster, impacted the results for the quarter and year ended September 30 December 31, 2001. In the immediate term, widespread logistics and transportation problems, interrupted the supply chain and added costs. From early in 2001 to year-end and extending into 2002, the general slowdown in the economy and the significant impact on air travel and the airlines has resulted in reduced demand for certain civil aviation products. The Corporation has been able to restore efficiencies and replace some of the reduced work with defence work, mitigating the impact on revenue and profits.

Results from Operations

Consolidated revenues for the fourth quarter were \$156.8 million, a

decrease of \$4.8 million, or 2.9% from the fourth quarter of 2000. While revenues for the quarter were less than originally expected, this decline was not as severe as anticipated immediately after the events of September 11. Consolidated revenues for the year ended December 31, 2001 were \$614.5 million, representing a decrease of 1.7% or \$10.9 million over the previous year. Gross profits fell to \$111.8 million (18.2% of revenues) in fiscal 2001 from \$115.7 million (18.5% of revenues) in fiscal 2000 largely due to the disruption of activities and lower shipping subsequent to September.

Net income in the fourth quarter was \$9.2 million, a decrease of \$2.5 million or 21.5% over the same period in 2000. Net income for the year was \$40.6 million, an increase of 7.0% over 2000 levels.

Administrative and general expenses were \$9.2 million for the three months ended December 31, 2001 or 5.9% of revenues compared to \$8.1 million for the corresponding period in 2000, or 5.0% of revenues. Administrative and general expenses for the year were \$39.4 million, or 6.4% of revenues, compared to expenses of \$35.5 million, or 5.7% of revenues in 2000. Significant efforts were expended dealing with the disruption resulting from the events of September 11.

Interest expense declined to \$1.9 million in the fourth quarter of 2001 from \$4.9 million in the fourth quarter of 2000 due to lower interest rates and lower outstanding debt. Total outstanding debt decreased by \$23.0 million during the year.

Income tax expense in the fourth quarter was \$5.6 million, which represents an effective income tax rate of 38.0%. The tax rate for the most recent quarter exceeds the year-to-date tax rate due to the higher proportion of income in jurisdictions with higher rates. The income tax provision for the year is \$19.5 million, which represents an effective tax rate of 32.4%. This rate includes an adjustment of \$2.5 million recorded in the second quarter to reflect lower Canadian tax rates on the Corporation's net future tax liabilities.

Liquidity and Capital Resources

In the year ended December 30, 2001, the Corporation generated \$65.9 million of cash from operating activities, an increase of \$12.9 million, or 24% over the same period in 2000.

During the year ended December 31, 2001, the Corporation invested \$32.4 million in new production equipment to modernize current facilities and to enhance its capabilities.

Management believes that adequate cash is available through internally generated liquidity and undrawn lines of credit to meet the Corporation's working capital, program and capital investment, and debt servicing requirements.

Recent Developments

Approximately 60% of Magellan's sales are to the commercial aviation sector, distributed across all classes of aircraft from business jets to large twin-aisle airliners. These sales are split approximately 60/40 between aerostructure and aeroengine customers, and are distributed over a customer base of seven major customers and several smaller ones. As not all aircraft programs are affected equally, this broad distribution of sales has lessened the impact on Magellan of the cutbacks announced by aircraft manufacturers at the end of 2001, and together with an expected increase in defence sales, will mitigate further sales decline.

Defence sales grew to approximately 36% of Magellan's fourth quarter revenue. With the recent increase in worldwide military activity, there has been a corresponding increase in the military opportunities flowing to Magellan in both the new build and repair sectors. The Canadian Government has joined the Joint Strike Fighter program, gaining a level of participation in

the program for Canadian industry, which we believe will result in both direct and indirect work for the Corporation. Defence orders placed with Magellan in late 2001 and early 2002 will generate new revenues during 2002 and beyond.

The industrial gas turbine and co-generation market sector continues to expand. The Corporation has a solid exposure to this market through contracts with Siemens-Westinghouse, General Electric, Rolls Royce and others. Non-aerospace work in Magellan continues to grow, and now accounts for approximately 10% of total revenue.

Summary

The events of 2001 have impacted airline orders and production schedules, disrupted transportation systems, and added costs. While the effect of these events on the Corporation's fourth quarter 2001 revenues was less severe than expected, revenues for 2002 will continue to be impacted.

Nevertheless, Magellan is well positioned to meet the challenges facing our industry.

The Corporation has over the past eighteen months focused on building a strong balance sheet. As equity has grown and debt was repaid, the debt to capital ratio for the Corporation improved from 44.7% at December 31, 2000 to its present level of 38.2%. Magellan's financial strength will sustain the Corporation during the current industry slowdown and position it to take full advantage of growth opportunities that will arise as the economy recovers.

On behalf of the board

(signed)

N. Murray Edwards
Chairman and Chief Executive
Officer
March 12, 2002

(signed)

Richard A. Neill
President and Chief Operating
Officer

MAGELLAN AEROSPACE CORPORATION
CONSOLIDATED STATEMENTS OF
INCOME AND RETAINED EARNINGS
(unaudited)

(expressed in thousands of
dollars, except per
share amounts)

	Three months ended		Year ended	
	December 31		December 31	
	2001	2000	2001	2000
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Revenues	\$ 156,802	\$ 161,561	\$ 614,461	\$ 625,393
Cost of revenues	130,693	129,694	502,701	509,669
Gross profit	26,109	31,867	111,760	115,724
Administrative and general expenses	9,204	8,106	39,400	35,467
Research and development	161	338	1,066	977
Interest	1,897	4,877	11,251	19,668
	11,262	13,321	51,717	56,112
Income before income taxes	14,847	18,546	60,043	59,612

Income taxes - current	3,573	8,365	17,110	15,122
- future	2,065	(1,544)	2,369	6,577
	-----	-----	-----	-----
Net income for the year	9,209	11,725	40,564	37,913
	-----	-----	-----	-----
Retained earnings, beginning of the year	157,491	114,411	126,136	88,223
	-----	-----	-----	-----
Retained earnings, end of year	\$ 166,700	\$ 126,136	\$ 166,700	\$ 126,136
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Income per common share (note 5)				
Basic	\$ 0.14	\$ 0.18	\$ 0.62	\$ 0.59
	-----	-----	-----	-----
Diluted	\$ 0.14	\$ 0.18	\$ 0.61	\$ 0.58
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MAGELLAN AEROSPACE CORPORATION
CONSOLIDATED BALANCE SHEETS

As at December 31

(expressed in thousands of dollars)

	2001	2000
	----	----
	(unaudited)	(audited)
ASSETS		
Current		
Cash and cash equivalents	\$ 3,638	\$ 5,684
Accounts receivable	89,800	110,372
Inventories	230,943	204,555
Prepaid expenses and other	8,218	6,771
Future income tax asset	3,643	6,279
	-----	-----
Total current assets	336,242	333,661
	-----	-----
Capital assets	347,801	325,442
Goodwill	13,421	13,194
Other	11,167	12,512
Future income tax asset	11,265	9,542
	-----	-----
	\$ 719,896	\$ 694,351
	-----	-----
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Bank indebtedness	\$ 57,431	\$ 53,114
Accounts payable and accrued charges	92,067	89,194
Deferred revenue	2,779	2,602
Current portion of long-term debt (note 2)	41,108	32,078
	-----	-----
Total current liabilities	193,385	176,988
	-----	-----

Future income tax liabilities	95,225	90,670
Long-term debt (note 2)	102,240	140,595
Other long-term liabilities	10,485	13,838
Shareholders' equity		
Capital Stock (notes 3 & 4)	147,350	146,557
Retained earnings	166,700	126,136
Foreign exchange translation	4,511	(433)
Total shareholders' equity	318,561	272,260
	\$ 719,896	\$ 694,351

MAGELLAN AEROSPACE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(expressed in thousands of dollars)	Three months ended		Year ended	
	December 2001	31 2000	December 2001	31 2000
OPERATING ACTIVITIES				
Income for the period	\$ 9,209	\$ 11,725	\$ 40,564	\$ 37,913
Add items not affecting cash				
Depreciation and amortization	5,461	5,858	21,612	18,957
Future income taxes	2,065	(1,544)	2,369	6,577
	16,735	16,039	64,545	63,447
Net change in non-cash working capital items relating to operating activities	8,469	22,146	1,363	(10,488)
Cash provided by operating activities	25,204	38,185	65,908	52,959
INVESTING ACTIVITIES				
Purchase of capital assets	(8,211)	(11,255)	(32,369)	(28,044)
Decrease (increase) in other assets	2,380	(2,056)	1,081	(1,785)
Cash used in investing activities	(5,831)	(13,311)	(31,288)	(29,829)
FINANCING ACTIVITIES				
Increase (decrease) in bank indebtedness	(6,263)	(9,638)	2,100	(1,978)
Repayment of long-term debt	(10,562)	(13,448)	(36,272)	(23,751)
Issue of common shares	97	2,240	793	2,789
Decrease in long-term liabilities	(2,667)	(354)	(3,502)	(934)
Cash used in financing				

activities	(19,395)	(21,200)	(36,881)	(23,874)
Effect of exchange rate changes on cash	35	32	215	131
Increase (decrease) in cash	13	3,706	(2,046)	(613)
Cash, beginning of period	3,625	1,978	5,684	6,297
Cash, end of period	\$ 3,638	\$ 5,684	\$ 3,638	\$ 5,684

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(expressed in thousands of dollars except share and per share data)

NOTE 1 - ACCOUNTING POLICIES

The accompanying unaudited consolidated financial statements have been prepared by the Corporation in accordance with accounting principles generally accepted in Canada on a basis consistent with those followed in the most recent audited consolidated financial statements. These unaudited consolidated financial statements do not include all the information and footnotes required by generally accepted accounting principles for annual financial statements and therefore should be read in conjunction with the audited consolidated financial statements and notes included in the Corporation's Annual Report for the year ended December 31, 2000.

NOTE 2 - LONG TERM DEBT

	December 31 2001 \$	December 31 2000 \$
Term bank loan	135,100	161,912
Other non-bank loans	8,248	10,761
	143,348	172,673
Less current portion	41,108	32,078
	102,240	140,595

The term bank loan bears interest at bankers' acceptance or LIBOR rates plus 0.80% to 1.25%. Included in the term bank loan are amounts due in U.S. dollars of \$71,315 (2000 - \$91,318).

NOTE 3 - CAPITAL STOCK

The following table summarizes information on share capital and related matters at December 31, 2001:

	Number of shares No.	Stated capital \$
----- Outstanding at December 31, 2000	65,834,189	146,557

Issued upon exercise of options	112,500	459
Issued to employees and directors	56,605	334

Outstanding at December 31, 2001	66,003,294	147,350

NOTE 4 - STOCK-BASED COMPENSATION PLAN

The Corporation has an incentive stock option plan, which provides for the granting of options for the benefit of employees and directors. The maximum number of common shares that may be issued under this plan is 5.2 million. Options are granted at an exercise price that will be the market price of the Corporation's common shares at the time of granting. Options normally have a life of 5 years with vesting at 20% at the end of the first, second, third, fourth and fifth years from the date of the grant. In addition, certain business unit income tests must be met in order for the optionholder's entitlement to fully vest.

A summary of the plan and changes during each of 2001 and 2000 are as follows:

	2001		2000	
	Shares No.	Weighted average exercise price \$	Shares No.	Weighted average exercise price \$

Outstanding beginning of year	1,711,702	5.42	2,540,302	4.28
Granted	746,500	5.85	500,000	5.50
Exercised/cancelled	(200,502)	4.71	(1,328,600)	3.27

Outstanding end of year	2,257,700	5.63	1,711,702	5.42

The following table summarizes information about options outstanding at December 31, 2001:

Range of exercise prices \$	Number outstanding at December 31, 2001	Options outstanding		Options exercisable	
		Weighted average remaining contractual life	Weighted average exercise price \$	Number exercisable at December 31, 2001	Weighted average exercise price \$

3.25	540,100	1.0	3.25	432,080	3.25
5.50 - 6.30	1,258,200	4.3	5.76	167,460	5.87

7.35 - 10.05	459,400	2.6	8.07	218,720	8.13
	2,257,700	3.2	5.63	818,260	5.09

NOTE 5 - EARNINGS PER SHARE

The following is a reconciliation of the denominator of the basic and diluted per share computations:

	Year ended December 31,	
	2001	2000
Weighted average number of common shares outstanding	65,936,087	64,777,388
Effect of dilutive stock options	401,735	818,068
Weighted average number of common shares outstanding - diluted	66,337,822	65,595,456

NOTE - 6 - SUPPLEMENTARY INFORMATION

Cash interest paid during 2001 amounted to \$11,208 (2000 - \$18,476) and cash income taxes paid during 2001 amounted to \$10,009 (2000 - \$2,673).

NOTE - 7 - SEGMENTED INFORMATION

The Corporation is organized and managed as a single business segment being aerospace and the Corporation is viewed as a single operating segment by the chief operating decision maker for the purposes of resource allocations and assessing performance.

Domestic and foreign operations consist of:

	2001			2000		
	Canada	United States	Total	Canada	United States	Total
	\$	\$	\$	\$	\$	\$
Revenue						
Domestic	159,284	215,223	374,507	148,677	199,881	348,558
Export	215,855	24,099	239,954	257,768	19,067	276,835
Total revenue	375,139	239,322	614,461	406,445	218,948	625,393
Capital assets and goodwill	162,415	198,807	361,222	155,275	183,361	338,636

