



Universal Forest Products®, Inc. Reports 3rd Quarter Earnings Of \$0.40 Per Share

October 17, 2000

GRAND RAPIDS, Mich., Oct. 17 /PRNewswire/ -- Universal Forest Products® (Nasdaq: UFPI) today announced results for the 3rd quarter of 2000, including net earnings of \$0.40 per share (diluted) compared to \$0.45 per share (diluted) for the 3rd quarter of 1999. Net sales for the quarter were \$371.0 million, down 4.5% compared to \$388.4 million for the same quarter a year ago.

For the first nine months of 2000, net earnings were \$1.32 per share (diluted) compared to \$1.30 per share (diluted) last year. Net sales for the first nine months of 2000 were \$1.107 billion compared to \$1.135 billion, a decrease of 2.5% from the same period a year ago.

"Our strategy to diversify sales across four market segments and geographically across the United States cushioned the effect of external factors affecting our business, such as higher interest rates and a deflated lumber market," said William G. Currie, UFP's chief executive officer. "Our sales to the D-I-Y market were up slightly for the quarter as significant unit sales increases offset the negative sales effect of a 31% lower lumber market. Site-built construction sales were also up in spite of a depressed lumber market and lower sales in the Mid Atlantic region. Industrial/agricultural sales were down 5% for the quarter, but remain 6% ahead on a year-to-date basis. Our manufactured housing sales performance reflects both lower unit sales and a lower lumber market, although we have increased market share."

The company pointed to several factors that affected performance during the quarter:

1. The manufactured housing industry continues to struggle with excessive retail inventories and repossessions, coupled with tightened availability of consumer credit. The most recent industry statistics show shipments of manufactured homes down 24.6% on a year-to-date basis through August 2000.
2. The lumber market continued its downward trend during the quarter, approaching seven-year lows. For the third quarter of 2000, weekly averages of the "Random Lengths Lumber Composite" were down 31% compared to the third quarter of 1999. The company stated that recent acquisitions and significant unit sales increases in several markets were not enough to offset the overall lumber market decline. Profits were less affected due to the company's managed inventory programs and forward pricing practices.
3. The company's Mid Atlantic truss operations serving the site-built market contributed lower than expected sales and profits as a result of fewer housing starts in the region. Interest rate increases over the last 15 months were a factor in the housing start decline.
4. Slower than expected progress with several new start-up operations and missed target dates for the consolidation and relocation of one regional manufacturing facility caused increased expenses and missed profit opportunities.

"We have instituted the appropriate action steps to meet each of these challenges," continued Currie. "We will continue to aggressively pursue our strategic plan and believe that our unique business model will drive future profitability. The company is committed to leading its diverse markets and is positioned for continued growth as economic conditions improve."

OUTLOOK

The company feels that the factors mentioned above will cause earnings to fall below its previous expectations in the fourth quarter. The company has set the following targets for fourth quarter financial performance: total revenue in the range of \$270 million to \$290 million and net earnings in the range of \$0.12 to \$0.15 per diluted share. The company fully expects to regain its upward sales and earnings momentum next year and has every intention of achieving its "Performance 2002" objectives.

UFPI D-I-Y sales to Home Depot are expected to remain strong, as evidenced by quarterly and year-to-date sales increases of 17% and 19%, respectively. The company continues to expand its relationship with Home Depot and believes in the continued growth of the D-I-Y sector.

The company's sales and profit targets mentioned above are not predictions of future performance. It is entirely possible that the company's performance will deviate from the targets set in the beginning of the quarter. Accordingly, during the quarter the company is not obligated to update these targets, report on its progress, or comment on them to analysts or investors until after it has closed the books on the quarter. In addition, the company will not comment on statements made by persons outside the company on the progress of the quarter, and any such statements should be assessed independently by investors. The company intends to comply with the requirements contained in the S.E.C. rule, Regulation Fair Disclosure.

Interested parties are invited to the company's webcast of its third quarter conference call. The conference call will be held on

| | | | | | | | | |
|--|---------|-------|---------|-------|----------|-------|----------|-------|
| INVESTEE | 8,352 | 2.25 | 9,346 | 2.41 | 27,653 | 2.50 | 27,069 | 2.38 |
| MINORITY □ INTEREST | (144) | -0.05 | (144) | -0.04 | (474) | -0.04 | (278) | -0.02 |
| EQUITY IN EARNINGS □ (LOSS) □ OF INVESTEE | (60) | -0.02 | 355 | 0.09 | (33) | 0.00 | 875 | 0.08 |
| NET □ EARNINGS | \$8,148 | 2.20 | \$9,557 | 2.46 | \$27,146 | 2.45 | \$27,666 | 2.44 |
| EARNINGS PER SHARE - BASIC | \$0.40 | | \$0.46 | | \$1.35 | | \$1.33 | |
| EARNINGS PER SHARE - DILUTED | \$0.40 | | \$0.45 | | \$1.32 | | \$1.30 | |
| WEIGHTED □ AVERAGE □ SHARES □ OUTSTAND- □ ING | 20,123 | | 20,746 | | 20,134 | | 20,734 | |
| WEIGHTED □ AVERAGE □ SHARES □ OUTSTANDING □ WITH COMMON STOCK □ EQUIVA- □ LENTS | 20,481 | | 21,265 | | 20,502 | | 21,324 | |

SUPPLEMENTAL SALES DATA

| Market Classification | 2000 | Quarter Period | | |
|-------------------------|------------|----------------|------------|------|
| | | % | 1999 | % |
| Do-It-Yourself | \$ 179,701 | 49% | \$ 177,892 | 46% |
| Manufactured Housing | 76,909 | 21% | 103,990 | 27% |
| Site-Built Construction | 68,372 | 18% | 58,062 | 15% |
| Industrial and Other | 46,048 | 12% | 48,458 | 12% |
| Total | \$ 371,030 | 100% | \$ 388,402 | 100% |

| Market Classification | 2000 | Year to Date | | |
|-------------------------|--------------|--------------|-------------|------|
| | | % | 1999 | % |
| Do-It-Yourself | \$ 543,690 | 49% | \$ 534,850 | 47% |
| Manufactured Housing | 243,024 | 22% | 309,222 | 27% |
| Site-Built Construction | 180,006 | 16% | 159,412 | 14% |
| Industrial and Other | 139,960 | 13% | 131,849 | 12% |
| Total | \$ 1,106,680 | 100% | \$1,135,333 | 100% |

CONSOLIDATED BALANCE SHEETS (UNAUDITED)
SEPTEMBER 2000/1999

(In thousands)

| | | |
|---------------------------|---------|---------|
| ASSETS | 2000 | 1999 |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$7,780 | \$9,727 |

| | | |
|---|-----------|-----------|
| Accounts receivable | 100,430 | 95,338 |
| Inventories | 114,139 | 116,228 |
| Other current assets | 7,046 | 6,647 |
| TOTAL CURRENT ASSETS | 229,395 | 227,940 |
| OTHER ASSETS | 11,446 | 10,715 |
| GOODWILL AND NON-COMPETE PROPERTY, PLANT AND EQUIPMENT, NET | 106,547 | 93,569 |
| | 168,276 | 146,214 |
| TOTAL ASSETS | \$515,664 | \$478,438 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Notes payable | \$2,860 | \$1,392 |
| Accounts payable and accrued liabilities | 95,643 | 89,601 |
| Current portion of long-term debt and capital leases | 7,291 | 7,928 |
| TOTAL CURRENT LIABILITIES | 105,794 | 98,921 |
| LONG-TERM DEBT AND CAPITAL LEASES, less current portion | | |
| | 130,836 | 135,580 |
| REVOLVING CREDIT FACILITY | 23,000 | 12,000 |
| OTHER LIABILITIES | 18,030 | 15,075 |
| SHAREHOLDERS' EQUITY | 238,004 | 216,862 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$515,664 | \$478,438 |

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS ENDED
SEPTEMBER 2000/1999

| (In thousands) | 2000 | 1999 |
|---|----------|----------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net earnings | \$27,146 | \$27,666 |
| Adjustments to reconcile net earnings to net cash from operating activities: | | |
| Depreciation | 12,361 | 11,301 |
| Amortization of non-compete agreements and goodwill | 2,673 | 2,423 |
| (Gain) loss on sale of property, plant and equipment | 72 | (513) |
| Changes in: | | |
| Accounts receivable | (21,470) | (32,491) |
| Inventories | 22,053 | (7,829) |
| Accounts payable | 6,822 | 16,638 |
| Accrued liabilities and other | 7,901 | 5,514 |
| NET CASH FROM OPERATING ACTIVITIES | 57,558 | 22,709 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property, plant, and equipment | (23,677) | (27,508) |
| Business acquisitions, net of cash received | (32,561) | - |
| Proceeds from sale of property, plant and equipment | 642 | 2,491 |
| Other | (816) | 1,915 |
| NET CASH FROM INVESTING ACTIVITIES | (56,412) | (23,102) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Repayment of long-term debt | (7,535) | (9,919) |

| | | |
|---|---------|---------|
| Proceeds from issuance of long-term debt | 2,118 | 27,742 |
| Net borrowings (repayments) under revolving credit facility and notes payable | 11,950 | (4,984) |
| Dividends paid to shareholders | (807) | (728) |
| Proceeds from issuance of common stock | 431 | 864 |
| Repurchase of common stock | (3,629) | (3,775) |
| NET CASH FROM FINANCING ACTIVITIES | 2,528 | 9,200 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | 3,674 | 8,807 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 4,106 | 920 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$7,780 | \$9,727 |

SOURCE Universal Forest Products®, Inc.

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