

Griffon Corporation Announces Second Quarter Operating Results

May 7, 2009 2:18 PM ET

- Diluted EPS of \$.02 loss in 2Q 2009 versus \$.66 loss in 2Q 2008

- Segment adjusted EBITDA of \$13.0 million

JERICO, N.Y., May 7 – Griffon Corporation (NYSE: GFF) today reported operating results for the second quarter ended March 31, 2009.

Second Quarter of Fiscal 2009

Net sales from continuing operations for the second quarter of fiscal 2009 were \$276.1 million, compared to \$298.6 million in the second quarter of fiscal 2008. Loss from continuing operations for the second quarter was \$1.5 million, or \$.03 per diluted share, compared to \$4.1 million, or \$.13 per diluted share, last year. Income from discontinued operations for the second quarter was \$.6 million, or \$.01 per diluted share, compared to a loss of \$17.2 million, or \$.53 per diluted share, last year. Net loss for the quarter was \$.9 million, or \$.02 per diluted share, compared to \$21.4 million, or \$.66 per diluted share, last year.

The Company's segment adjusted EBITDA for the second quarter of 2009 was \$13.0 million compared to \$13.5 million in 2008. Segment adjusted EBITDA is defined as operating income excluding allocations of corporate overhead, interest, taxes, depreciation and amortization, restructuring charges, goodwill charges and the impact of debt extinguishment.

As a result of the downturn in the residential housing market, in fiscal 2008, the Company exited substantially all of the operating activities of its Installation Services segment. Operating results of substantially all of the Installation Services segment have been reported as discontinued operations in the condensed consolidated financial statements for all periods presented herein, and the Installation Services segment is excluded from segment reporting. The Company substantially concluded its remaining disposal activities in the second quarter of fiscal 2009.

Telephonics Results

For the quarter ended March 31, 2009, Telephonics generated sales of \$96.6 million, a 1.9% decrease from the second quarter of fiscal 2008. Despite the sales decrease, core business sales grew by approximately \$11.8 million, or 14%.

The sales decrease was primarily attributable to the favorable impact on the prior year's second quarter sales from contracts with the Syracuse Research Corporation (SRC) that were winding down, partially offset by core business growth in the Radar Systems Division driven by increases in the Lamps MMR, CP-140 and ARPDD programs. Operating income increased \$1.1 million, or 15.6%, compared to last year due to a favorable product mix and reduced operating expenses related to research and development.

Clopay Garage Doors Results

For the quarter ended March 31, 2009, the Company's Garage Doors segment generated sales of \$79.3 million, a 7.3% decrease from the second quarter of fiscal 2008. Garage Doors' sales continued to be impacted by weakness in the residential housing and credit markets.

The Garage Doors sales decline was principally due to reduced unit volume, offset partially by higher selling prices to pass through increased material costs and product mix.

Operating loss of the Garage Doors segment increased by approximately \$2.9 million compared to last year, primarily as a result of reduced sales volume and associated plant absorption loss, higher material costs and the unfavorable impact of foreign translation on Canadian-dollar denominated sales. The prior-year period was affected by restructuring charges of approximately \$.7 million. The segment continues to develop and implement initiatives to reduce its operating costs.

Clopay Specialty Plastic Films Results

For the quarter ended March 31, 2009, the Company's Specialty Plastic Films segment generated sales of \$100.3 million, a 12.6% decrease from the second quarter of fiscal 2008.

Specialty Plastic Films' lower sales were principally due to the impact of lower exchange rates on translated foreign sales, the negative impact from the pass through of lower resin pricing and lower unit volumes, partially offset by a favorable product mix. However, operating income increased \$2.2 million, or 51.1%, as the favorable contribution to gross margin from lower resin costs and from an improving product mix more than offset the impact of foreign exchange translation and lower unit volumes.

Balance Sheet and Capital Expenditures

The Company substantially strengthened its balance sheet by raising an aggregate of \$248.6 million in gross proceeds from the sale of its common stock. The September 2008 transaction was effected through a common stock rights offering, along with an investment by GS Direct, L.L.C., an affiliate of Goldman Sachs. The Company intends to use the proceeds for general corporate purposes and to fund its growth.

The Company's total cash and cash equivalents balance at March 31, 2009 was \$274.3 million. Total debt outstanding at March 31, 2009 was \$196.4 million, including \$94.5 million of convertible notes. Capital expenditures were \$7.3 million during the second quarter of fiscal 2009.

In April 2009, the Company purchased \$15.1 million face value of the convertible notes from certain noteholders for \$14.3 million. The Company expects to record a pre-tax gain of approximately \$.8 million from debt extinguishment, offset by a \$.1 million proportionate reduction in the related deferred financing costs, for a net gain of \$.7 million in the third quarter of fiscal 2009.

Conference Call Information

The Company will hold a conference call to discuss its results today, May 7, 2009, at 4:30 PM ET. The conference call can be accessed by dialing 1-800-322-9079 (U.S. participants) or 1-973-582-2717 (International participants). Callers should ask to be connected to Griffon Corporation's second quarter fiscal 2009 teleconference and provide the conference ID number 97233508. A replay of the call will be available from May 7, 2009 at 7:30 PM ET by dialing 1-800-642-1687 (U.S.) or 1-706-645-9291 (International). The replay access code is 97233508. The replay will be available through May 21, 2009.

Forward-looking Statements

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995: All statements other than statements of historical fact included in this release, including without limitation statements regarding the Company's financial position, business strategy and the plans and objectives of the Company's management for future operations, are forward-looking statements. When used in this release, words such as "anticipate", "believe", "estimate", "expect", "intend", and similar expressions, as they relate to the Company or its management, identify forward-looking statements. Such forward-looking statements are based on the beliefs of the Company's management, as well as assumptions made by and information currently available to the Company's management. Actual results could differ materially from those contemplated by the forward-looking statements as a result of certain factors, including but not limited to, business, financial market and economic conditions, including, but not limited to, the credit market, the housing market, results of integrating acquired businesses into existing operations, the results of the Company's restructuring and disposal efforts, competitive factors and pricing pressures for resin and steel, and capacity and supply constraints. Such statements reflect the views of the Company with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to the operations, results of operations, growth strategy and liquidity of the Company as previously disclosed in the Company's SEC filings. Readers are cautioned not to place undue reliance on these forward-looking statements. The Company does not undertake to release publicly any revisions to these forward-looking statements to reflect future events or circumstances or to reflect the occurrence of unanticipated events.

About Griffon Corporation

Griffon Corporation, headquartered in Jericho, New York, is a diversified holding Company consisting of three distinct business segments: Electronic Information and Communication Systems, through Telephonics Corporation; Garage Doors, through Clopay Building Products Company; and Specialty Plastic Films, through Clopay Plastic Products Company.

- Telephonics Corporation's high-technology engineering and manufacturing capabilities provide integrated information, communication and sensor system solutions to military and commercial markets worldwide.
- Clopay Building Products Company is a leading manufacturer and marketer of residential, commercial and industrial garage doors to professional installing dealers and major home center retail chains.
- Clopay Plastic Products Company is an international leader in the development and production of embossed, laminated and printed specialty plastic films used in a variety of hygienic, health-care and industrial markets.