Newpark Resources Reports Improved 2001; Keeps Focus on Rebound in Natural Gas Cycle

February 26, 2002
METAIRIE, La., Feb 26, 2002 /PRNewswire-FirstCall via COMTEX/ -- Newpark Resources, Inc. (NYSE: NR) today reported 2001 net income of $28 million, or $.37 per diluted share, on revenues of $409 million. This represents a 360% increase in earnings per share, on revenue growth of 53%. Comparable earnings for 2000 were $5.6 million, equal to $.08 per diluted share, on revenues of $267 million.

For the fourth quarter, Newpark reported net income of $3.2 million, or $.05 per diluted share, on revenue of $92 million. This compares to net income of $4 million, or $.06 per share, on revenues of $80.1 million in the same quarter a year ago.

Drilling Fluids

Drilling fluids' revenues of $217 million in 2001 increased 62% from last year, during which Newpark provided drilling fluids products and technical services to an average of 183 rigs, compared to an average of 146 rigs in 2000. Newpark's average revenue per rig increased by 29%, indicative of the trend toward deeper and more complex drilling projects serviced by the Company. For the year, operating margin for the segment improved to 12.2% from 7% the prior period, as operating income increased 183% to $26.5 million.

Fourth quarter revenue for the segment was $54.2 million, up $13.7 million or 34% from the year-ago quarter, contributing $5.9 million of operating profit. This compares to $3.3 million of operating profit on revenue of $40.6 million in the year-ago quarter. The Company's fourth quarter operating margin was 10.8% compared to 8.2% a year ago, but down from the level of the third quarter, as industry activity slowed. "After three years, Newpark Drilling Fluids has proven itself a capable and innovative provider of fluids services, and is building market acceptance of a number of key products and services that we have only recently introduced," remarked James D. Cole, Newpark Chairman and CEO.

Mat and Integrated Services

For the full year, mat and integrated services revenue totaled $130.7 million, a 71% increase from $76.3 million in 2000. Operating margin increased to 25% from 22% a year ago. The mix of revenues changed considerably, as Newpark sold 21,000 Dura-Base(TM) composite mats during the year, generating revenue of $33.2 million and accounting for 59% of the segment revenue growth. Gulf Coast market mat rental revenue increased by $12.4 million year-over-year on an increase in average installation price to $1.27 per square foot, from $.89 last year, and increased extended rentals, a result of the trend toward deeper drilling," Cole stated.

Fourth quarter mat and integrated services revenue of $24.2 million was about equal with the prior year level. Operating earnings of $3.5 million in the quarter corresponded to a 15% operating margin. This compares to operating earnings of $6.3 million a year ago, and an operating margin of 25%.

The effect of much lower drilling activity during the quarter was evident in the 29% decline in fourth quarter segment revenue compared to third quarter results. Mat rental revenue in the Gulf Coast and Western Canada markets declined significantly in the quarter and Dura-Base(TM) composite mat sales revenue dropped on fewer units sold compared to the preceding quarter as the effect of the sharp decline in natural gas pricing took hold.

E&P Waste Disposal

For the fiscal year, waste disposal revenue totaled $61 million, up 9% from $56 million in the prior year. 2001 operating earnings of $14.9 million corresponded to a 24% operating margin, compared to $17.3 million or 31% of revenue in 2000. The decline in segment operating earnings occurred after the mid-year rig count peak as industry activity slowed. "We are reshaping the operating structure of our waste business in response to the current market and in anticipation of the new rules limiting discharges of waste into the Gulf of Mexico that become effective in the first quarter of 2002. We are ready to meet any new requirements faced by our customers under the tightened SBM regulations and expect, by the third quarter, to have reduced operating costs in the business by over $2 million per quarter," Cole said. During 2001, the volume of waste received increased by 2.3% to 4.3 million barrels and pricing increased 5.7% to average $12.14 per barrel. These gains arose during the first three calendar quarters, and fourth quarter volume declined with drilling activity in the Gulf Coast market.

Fourth quarter waste disposal revenue of $13.6 million was 7% below prior year levels. Volume in the quarter dipped to 851,000 barrels compared to 1.1 million barrels in the 2000 quarter. Segment operating profit for the quarter dropped to $2.2 million or 16% of revenue, from $3.8 million, or 26% of revenue, in the year-ago quarter. "We anticipate that higher segment margins will be restored by the third quarter as a result of the reshaping and cost reductions now underway," Cole stated.

Balance Sheet and Leverage

During the year, Newpark produced $92.7 million of EBITDA, and reduced its leverage ratio to 37.6% from 43.9% at the prior year-end. "In the fourth quarter we converted $12 million of operating leases to capital leases, achieving a $2 million annual expense savings in the process, but adding slightly to total leverage," said Cole.

Capital expenditures for the year totaled $29.7 million, with $7.5 million of that occurring in the fourth quarter. "Given the downtrend in market activity, we expect to hold capital expenditures below $12 million in 2002, including $6 million of anticipated maintenance items," Cole said. He continued, "We anticipate that Newpark will generate sufficient free cash flow to pursue our near-term goal of reducing bank borrowings." At year-end, use of the bank line of credit stood at $39.7 million. The $100 million revolving credit facility, led by Bank One for working capital, acquisitions and general corporate purposes, was renewed earlier in 2002 and extended for three years.

Fiscal 2002 Guidance

"Current U.S. rig activity has declined by more than 37% from the recent peak, driven by gas storage levels 40% above normal. Current gas prices reflect some of the impact of this surplus, but most analysts and many of our customers anticipate that further natural gas price declines are likely. This uncertainty has caused them to defer spending while the gas market moves through this correction. While many in the industry expect the downturn will be short-lived due to rapid natural gas depletion rates, several of the analysts following the company have recently reduced their earnings expectations for 2002, and we concur. We began planning for this cyclical decline well before it started, and have implemented strategies that will reduce annual costs by more than $15 million from 2001 base levels. These reductions will help position the Company for the coming cyclical upturn. During 2001, Newpark earned a 12.2% pre-tax margin. The cost reductions just mentioned, applied to our 2001 base revenue, would have added four points to our pre-tax margin and increased earnings by more than 35% had they been in full effect last year. We know that the reductions will not fully offset potential revenue declines, however we anticipate that Newpark will remain profitable during this downturn, although first and second quarter results will likely be below the fourth quarter level. Conditions should improve later in this year, or early in 2003, as gas prices stabilize. It is important, therefore, that Newpark remain focused on the longer term positive trend in the North American natural gas market, and that we both maintain our technical and service capabilities and continue our market penetration with new, innovative products. We expect to generate free cash flow that will enable us to further improve our balance sheet and take advantage of new opportunities as the market recovers," Cole concluded.

Newpark Resources, Inc. provides integrated fluids management, environmental and oilfield services to the exploration and production industry.

The foregoing discussion contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Act of 1934, as amended. There are risks and uncertainties that could cause future events and results to differ materially from those anticipated by management in the forward-looking statements included in this press release. For further information regarding these and other factors, risks and uncertainties affecting Newpark, reference is made to the risk factors set forth in the Prospectus dated March 27, 2001, included in Newpark's Registration Statement on Form S-3 (File No. 333-53824), and to the section entitled "Forward-Looking Statements" on page 17 of that Prospectus. In particular, as described on page 9 of that Prospectus, any material decline in the level of oil and gas exploration and production activity could result in fewer opportunities being available for the service industry in general and Newpark in particular, and may adversely affect the demand for our services. In addition, as described on page 13 of that Prospectus, and rescission or relaxation of governmental regulations, including any delays in implementing the new discharge regulations, could reduce the demand for Newpark's services and reduce Newpark's revenues and income. You are strongly urged to review these sections for a more detailed discussion of these risks and uncertainties. Newpark's SEC filings can be obtained at no charge at http://www.sec.gov, as well as through our Website, http://www.newpark.com.

Newpark Resources, Inc.
Year-Ago Quarter Comparison
(in thousands, except per share amounts)

	4Q01	4Q00
Revenue		
Mat & Integrated Services	$24,169	$25,035
Drilling Fluids	54,238	40,563
E&P Waste Disposal	13,580	14,530
	$91,987	$80,128
Operating Income		
Mat & Integrated Services	$3,524	$6,318
Drilling Fluids	5,859	3,306
E&P Waste Disposal	2,223	3,847
	11,606	13,471
Corporate G&A	(1,332)	(804)
Goodwill Amortization	(1,162)	(1,232)
Foreign Currency gain (loss)	1	--
Interest Income	693	186
Interest Expense	(3,281)	(5,151)

Pre-Tax	6,525	6,470
Income tax	(2,335)	(1,785)
Net income	4,190	4,685
Preferred Dividends	(975)	(637)
Net income to common	$3,215	$4,048
Common share equiv's. (dil.)	70,750	70,283
Diluted EPS	$0.05	$0.06
EBITDA		
Pre-tax	$6,525	$6,470
Interest	3,281	5,151
Depreciation & Amortization	7,042	6,491
Total	$16,848	$18,112
% of Revenue	18.3%	22.6%
Waste Data (in thousands, except per barrel amounts)		
E&P Waste Volume	851	1,076
Average Revenue per Barrel	$13.22	$11.40
E&P Revenue	$11,755	$12,996
NORM	1,431	1,028
Industrial	394	506
	$13,580	$14,530
Mat Rental Data - Gulf Coast (in millions, except per square foot amounts)		
Installation	$2.0	$4.9
Re-rental	2.6	2.1
Total	$4.6	$7.1
Average price per square foot	$0.83	$1.05
Square feet installed	2.5	4.7
Drilling Fluids Data		
Average Rigs Serviced	144	168
Annualized Rev. per Rig (000's)	$1,507	$967

Newpark Resources, Inc.
Year to Date Comparison
(in thousands, except per share amounts)

	12 Mos 01	12 Mos 00
Revenue		
Mat & Integrated Services	$130,684	$76,316
Drilling Fluids	216,923	134,101
E&P Waste Disposal	60,998	56,176
	$408,605	$266,593
Operating Income		
Mat & Integrated Services	$32,849	$16,948
Drilling Fluids	26,502	9,375
E&P Waste Disposal	14,932	17,255
	74,283	43,578
Corporate G&A	(5,170)	(3,042)
Goodwill Amortization	(4,861)	(4,965)
Foreign Currency Gain (Loss)	(359)	--
Interest Income	1,378	822
Interest Expense	(15,438)	(19,077)
Pre-Tax	49,833	17,316
Income tax	(17,927)	(6,165)
Net income	31,906	11,151
Preferred Dividends	(3,900)	(5,516)

Net income to common	$28,006	$5,635
Common share equiv's. (dil.)	74,904	70,056
Diluted EPS	$0.37	$0.08
EBITDA		
Pre-tax	$49,833	$17,316
Interest	15,438	18,780
Depreciation & Amortization	27,427	23,570
Total	$92,698	$59,666
% of Revenue	22.7%	22.4%
Waste Data (in thousands, except per barrel amounts)		
E&P Waste Volume	4,267	4,169
Average Revenue per Barrel	$12.14	$11.48
E&P Revenue	$54,155	$50,494
NORM	5,049	3,944
Industrial	1,794	1,738
	$60,998	$56,176
Mat Rental Data - Gulf Coast (in millions, except per square foot amounts)		
Installation	$19.5	$16.7
Re-rental	15.2	5.6
Total	$34.7	$22.3
Average price per square foot	$1.27	$0.89
Square feet installed	15.4	18.7
Drilling Fluids Data		
Average Rigs Serviced	183	146
Annualized Rev. per Rig (000's)	$1,184	$920

Consolidated Balance Sheets

(Unaudited) (In thousands)	December 31, 2001	December 31, 2000
ASSETS		
Current assets:		
Cash and cash equivalents	$7,504	$31,245
Trade accounts receivable, less allowance of $2,159 in 2001 and $2,482 in 2000	86,702	71,794
Notes and other receivables	2,567	3,982
Inventories	44,144	24,998
Deferred tax asset	4,272	15,715
Other current assets	9,131	4,530
Total current assets	154,320	152,264
Property, plant and equipment, at cost, net of accumulated depreciation	208,476	184,755
Goodwill, net of accumulated amortization	105,767	111,487
Deferred tax asset	19,609	22,965
Other intangible assets, net of accumulated amortization	12,437	13,013
Other assets	21,879	22,959
	$522,488	$507,443

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Current maturities of long-term debt	$3,355	$329
Accounts payable	26,588	25,816
Accrued liabilities	21,018	13,621
Arbitration settlement payable	--	2,448
Total current liabilities	50,961	42,214
Long-term debt	176,954	203,520
Other non-current liabilities	619	1,654
Commitments and contingencies (See Note N)	--	--
Stockholders' equity:		
Preferred Stock, $.01 par value, 1,000,000 shares authorized, 390,000 shares outstanding	73,970	73,521
Common Stock, $.01 par value, 100,000,000 shares authorized, 70,332,017 shares outstanding in 2001 and 69,587,725 in 2000	703	696
Paid-in capital	335,117	329,650
Unearned restricted stock compensation	(940)	(2,339)
Accumulated other comprehensive income	(2,032)	(607)
Retained deficit	(112,864)	(140,866)
Total stockholders' equity	293,954	260,055
	$522,488	$507,443
Ratio of long-term debt to total capital	37.6%	43.9%

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