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HEADLINE: Newell Rubbermaid still remolding

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BODY:

CHICAGO (Dow Jones/AP) - When Joseph Galli took over as **Newell Rubbermaid Inc.**'s chief executive, his goal was to mold a new company. After a lot of change, Wall Street is still divided on whether he's succeeded.

During the past two years, the fast-talking chief executive has kickstarted a broad restructuring program, bolstered spending for new product development and recruited hundreds of college graduates to foster better relationships with retailers.

Several analysts, even those with neutral recommendations on **Newell** stock, issued upbeat reports after hearing presentations from executives last month. Moving in fits and starts, the stock hit a 52-week high of \$36.70 in May after sinking below \$22 at the end of 2001. Shares recently traded at \$30.15.

Though valuation and concerns about a tough economy have tempered upgrades, some see **Newell's** stock trading above \$40 within a year.

Newell makes a range of consumer products from Rubbermaid storage containers and Graco baby strollers to Levolor window treatments and Calphalon cookware.

Throughout the 1990s, the company prided itself on fostering growth through a steady pace of acquisitions, but cracks began to appear as some of those businesses suffered in 1999 and 2000.

Galli joined the company as a hopeful savior in January 2001 after a long career at Black & Decker Corp. and brief stints at VerticalNet Inc. and Amazon.com Inc. It hasn't been an easy road.

One of his first moves - selling off the company's Anchor Hocking glass unit to Libbey Inc. - was blocked by federal regulators who labeled the deal anticompetitive. Kmart

Corp., once one of the company's largest customers, filed for bankruptcy protection earlier this year.

Newell's earnings reports have been marred by about \$200 million in pretax restructuring charges since the program's start early last year.

Winning over analysts has also been difficult. Of the 16 who currently cover the company, eight rate it either a "strong buy" or a "buy", but six rate it a "hold" and two a "sell".

Those negative on the stock often say Galli's predictions, such as a pledge to sustain 15 percent operating margins, are too rosy and that the company's turnaround efforts haven't progressed quickly enough.

Galli doesn't directly dispute their criticisms. **Newell** is still in a restructuring mode and there's significant room for improvement, he said.

For example, **Newell** now has 118 factories after shutting 22 - Galli thinks that number should be less than 90. The company also can trim the number of distribution facilities further from 127 now to about 75, he said.

"When I joined the company, we had no buy ratings," Galli said.

For the first nine months of the year, **Newell Rubbermaid's** sales increased 7 percent to 5.4 billion from \$5.1 billion last year. The results include \$189.2 million revenue related to the company's acquisition of American Tool Cos. in April.

Newell lost \$299.2 million, or \$1.12 a share, compared with earnings of \$193.9 million, or 73 cents a share, during the same period last year. Excluding items, earnings were \$290.9 million, or \$1.09 a share, compared with \$216.1 million, or 81 cents a share.

Analysts expect **Newell** to earn \$1.57 for the full year, according to Thomson First Call. For 2003, analysts expect earnings of \$1.79 a share.

Newell's new products have generated some buzz. The company plans to introduce Rubbermaid containers that resist food stains, Vise-Grip wrenches with cushion grips and Shur-Line paint rollers with ergonomic shapes.

Galli said he's also planning to spend heavily to raise awareness of the company's key brands. For example, television advertising for the Rubbermaid brand alone will increase to more than \$75 million next year from zero in 2000, he said.

The initiative to boost sales with retailers, dubbed the "Phoenix" program, has also drawn interest. The program puts full-time **Newell** employees, clad in polo shirts bearing the company's logos, face-to-face with store managers on a routine basis.

Each of the 871 sales representatives looks for ways to put **Newell** products in the spotlight within the stores in their respective coverage areas, such as moving Sharpie markers to the lumber aisles or building promotional displays.

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