



Alcoa upbeat on demand outlook as end markets in 'good shape', says CEO Klaus Kleinfeld

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ALCOA swung to a first-quarter profit as the global economic recovery continued to help aluminium prices, and the company maintained its forecast for strong global demand for the metal this year.

Income from continuing operations reached its highest mark since the second quarter of 2008, and the bottom line topped analysts' expectations, although sales growth wasn't as strong as Wall Street had expected. Results a year ago were stung by restructuring and environmental costs and other impacts that totalled \$US295 million (\$281m).

Alcoa and other metal producers have benefited from rising prices.

Benchmark aluminium prices on the London Metal Exchange rose 14 per cent from the end of the first quarter of 2010 through the end of March. They finished last month at \$US2648 a tonne amid stronger orders for automobiles, packaging, durable goods and aircraft.

Alcoa's average realized price for aluminium grew 15 per cent while shipments inched up 0.4 per cent.

Revenue climbed 22 per cent to \$US5.96 billion, falling short of analysts' expectations of \$US6.07bn. Alcoa said strong end market revenue growth was led by double-digit increases in packaging, automotive, commercial transportation and industrial products.

"The end markets are in good shape," chairman and chief executive Klaus Kleinfeld said in a conference call accompanying the earnings results.

Shares in Alcoa were recently down 3.3 per cent at \$US17.18 in after-hours trading. The stock was up 15 per cent this year through today's close.

The growth in aluminium demand is mainly being driven by China, followed by other emerging markets, he said, reiterating the company's global aluminium demand growth projection of 12 per cent for this year.

"They haven't wavered at all in what they expect the global aluminium market to do, which is not too shabby," said Morningstar analyst Bridget Freas.

"That's a pretty good sign in terms of aluminium performance for the year."

Still, the company has warned of higher energy and raw material costs, although it also plans to focus on continued productivity improvements.

Alcoa, which unofficially kicks off the US earnings season, posted a profit of \$US308m, or US27 cents a share, compared with a prior-year loss of \$US201m, or US20c a share. Analysts polled by Thomson Reuters expected a profit of US27c.

The latest results included a penny per-share charge related to restructuring and acquisition costs, while prior-year results included restructuring and other charges that totalled US29c a share.

This year, Alcoa completed its purchase of the aerospace fastener business of aircraft components producer and supplier TransDigm Group. It paid \$US10m for a 10 per cent equity stake in electronics-waste recycler Electronic Recyclers International.

It also finalised a deal with Norwegian company Orkla to acquire full ownership of the technology associated with a new aluminium production process that is in the research and development phase.

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