

Dow Chemical 1Q profit tumbles 97 percent

Published on Chem.Info (<http://www.chem.info>)

Dow Chemical 1Q profit tumbles 97 percent

ERNEST SCHEYDER

AP Energy Writer - April 30, 2009

NEW YORK (AP) — Dow Chemical posted a 97 percent drop in first-quarter profit on Thursday due to plunging sales, though results easily beat Wall Street's expectations.

The company earned \$24 million, or 3 cents per share, compared with \$941 million, or 99 cents per share, a year earlier.

Excluding charges and other one-time items, Dow earned 12 cents per share during the period.

Sales fell 39 percent to \$9.09 billion from \$14.82 billion a year earlier.

Analysts polled by Thomson Reuters expected a loss of 21 cents per share on revenue of \$11.69 billion. Analysts typically exclude one-time items.

"Our positive earnings in this recessionary environment were the direct result of our rapid actions to reduce costs and tightly manage operations," said Andrew Liveris, Dow's chairman and chief executive officer.

Dow has already announced it was paring 9,500 jobs and shutting 20 plants.

The Midland, Mich.-based company posted a \$19 million charge related to a restructuring plan announced last year. Dow also recorded a \$48 million charge related to its buyout of Rohm & Haas, and a \$29 million charge connected to its stake in Dow Corning.

Dow closed on its \$16.5 billion acquisition of Philadelphia-based Rohm & Haas on April 1, after the first quarter ended. That means Rohm's results won't be fully reported by Dow until the second quarter.

Dow used a \$13 billion loan to pay for most of Rohm, and Liveris said in a conference call Thursday that he hoped to have that loan paid off by the end of 2009.

Dow's first-quarter report sent company shares soaring 18.2 percent, or \$2.45, to \$15.96 in morning trading.

"To come in at an actual profit is really a heroic effort on the part of the management," said Michael Judd, an analyst with Greenwich Consultants.

Dow Chemical 1Q profit tumbles 97 percent

Published on Chem.Info (<http://www.chem.info>)

Because Dow's chemicals are used in such a wide variety of products, from toys to packaging, the global economic downturn has hit the company especially hard.

Overall volumes in the first quarter declined 19 percent from the first quarter last year and prices fell 20 percent. Still, though, Dow said demand has slowly improved so far this year after a sharp drop in December.

But sales in the company's performance plastics, performance chemicals, basic plastics and basic chemicals units all fell more than 30 percent.

One bright spot was Dow's agriculture business, Dow AgroSciences. Sales at the segment were up and volume increased 10 percent, though prices were flat.

Liveris had said as recently as April 1 that Dow was not interested in selling that business. But on Thursday, he said a joint venture, public offering or outright sale is possible.

"Given the current market for assets in the agricultural space, we have launched a vigorous evaluation process," he said.

Meanwhile, Dow said it's seeing gradual improvements in the economy, but remains cautious about the rest of the year.

"It's prudent to expect that 2009 will still be a recessionary year globally, and we are not counting on material improvements in economic conditions in the near term," Liveris said.

Greenwich Consultants' Judd agreed, saying the company likely will have "significant challenges" ahead.

"I still think a lot of caution is justified," he said.

Source URL (retrieved on 01/28/2015 - 7:52am):

<http://www.chem.info/news/2009/04/dow-chemical-1q-profit-tumbles-97-percent>