# **Alcoa's 3Q Finances Disappoint**

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DALLAS (AP) -- Alcoa got the earnings season off to a disappointing start.

The aluminum producer on Tuesday reported third-quarter net income that fell far short of expectations. Concerns about a slowdown in the global economy pushed down prices for aluminum by 12 percent in the July-through-September period and weighed on the company.

Alcoa is involved in just about every aspect of the aluminum business, from mining to smelting to selling rolled metal sheets that wind up as aircraft, autos, soda cans and many other products. The broad use of its material makes Alcoa a bellwether for the economy.

Alcoa's third-quarter net income totaled \$172 million, or 15 cents a share. That was better than net income of \$61 million, or 6 cents per share, a year earlier, but weaker than the second-quarter numbers and analysts' forecasts.

Analysts had repeatedly lowered the bar for Alcoa, scaling back their profit forecast by about one-fourth in just the past month as aluminum prices slipped and demand in Europe weakened. And yet the company still came up short. Analysts surveyed by FactSet expected it to earn 22 cents per share.

Few other companies are so dependent on aluminum prices. But the forces behind the falling prices, including fear about the world's economy and European debt crisis, are being felt by many other companies.

"Some of the global macro concerns that are weighing on aluminum prices and hurting Alcoa's earnings -- that sentiment is likely to play out across other sectors," said Morningstar analyst Bridget Freas.

Freas thinks prices are near their bottom but that Alcoa's fourth-quarter profit could be slimmer than the third quarter's.

Alcoa's chairman and CEO, Klaus Kleinfeld, said the company did not see the usual September pickup in demand among European manufacturers, who ordinarily ramp up production after the summer vacation season. He blamed that on worries about Europe's debt crisis.

"I'm more concerned about lack of confidence than about market fundamentals," Kleinfeld said on a conference call with investors. "It almost looks like the world is worrying itself into another recession, and that shouldn't be allowed to happen."

The company stuck to its forecast that aluminum demand will grow 12 percent this year and double by 2020. It said demand in China was mostly offsetting weakness

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

in Europe.

Alcoa said that other than Europe, most markets kept growing although at a slower pace than in the first half of the year as hopes faded for a global economic recovery.

Still, revenue rose 21 percent to \$6.42 billion, topping analysts' forecast of \$6.24 billion.

Alcoa's stock price has been falling even faster than the price of aluminum -- down 40 percent in the guarter to its lowest levels since early 2009.

On Tuesday, Alcoa shares rose 21 cents, or 2.1 percent, to close at \$10.30 before the results were released. In extended trading, they fell 52 cents, or 5.1 percent, to \$9.78.

Alcoa was the first company listed in the Dow Jones industrial average to report third-quarter results.

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