Positive Posts from Producers

In their latest conference calls with analysts and investors, steel and aluminum producers report a strong start to the year.

AK Steel

AK Enjoys Profitable Quarter

AK Steel, West Chester, Ohio, reported net income of $62.5 million in first-quarter 2017, an improvement on the $13.6 million loss in last year's first quarter. "Our first-quarter performance reflected the ongoing benefits of our margin enhancement activities, strong operational focus and an improved pricing environment," said Roger K. Newport, AK Steel CEO, during the company's quarterly conference call with investors and analysts.

"We also made great progress in the quarter on new product development as we continue to focus on introducing innovative products."

The steelmaker's net sales for the quarter increased 1 percent to $1.53 billion, despite a 10 percent decline in its shipments to 1,486,900 tons. Its average selling price per ton increased 12 percent to $1,022 due to higher average selling prices on both contract and spot market sales, higher surcharges on specialty steel products and an improved product mix. The company continues to strive to reduce sales of lower-margin products.

AK's increase in net sales and its continued focus on cost management, partially offset by higher raw material and energy costs, contributed to an adjusted EBITDA of $142.9 million for the quarter, a 76 percent increase from last year.

Allegheny Technologies

ATI Posts Solid Sales, Income Gains

Allegheny Technologies, Inc., Pittsburgh, reported first-quarter net sales of $865.9 million and net earnings of $17.5 million. Sales increased by 14.3 percent and earnings increased 117.3 percent from the same quarter in 2016.

"This was a good start toward achieving our goal of sustainable, long-term profitable growth," said Rich Harshman, chairman, president and CEO. "Our first-quarter 2017 results demonstrate that we are beginning to realize the benefits of our growing position on next-generation commercial aerospace programs and the significant actions taken to improve our operating efficiencies and cost structure."

During the quarter, aerospace and defense sales increased 6 percent to $417 million compared with the previous quarter. Altogether, sales to ATI's target markets of aerospace, defense, oil and gas, electrical energy, automotive and medical represented 80 percent of its sales.

The company's Flat-Rolled Products segment reported sales of $355 million, an 11 percent increase from the previous quarter. The segment's operating profit improved to $19 million on higher selling prices.

"We expect to sustain the FRP segment's return to profitability at a low-single-digit level as a percentage of segment sales. Order volumes remain at reasonably good levels as we move into the 2017 second quarter. We remain cautious because prices of raw materials have eroded since the first quarter, and our visibility in the second half of 2017 remains limited," Harshman said.

Arconic

Arconic Earns $322 Million

Arconic reported net income of $322 million, an almost twenty-fold increase from the same quarter in 2016. The New York-based aluminum producer had reported a loss of $1.26 billion in the previous quarter.

Net sales totaled $3.19 billion in the quarter, an increase of 4.5 percent from first-quarter 2016 and up 7.5 percent from the previous quarter. Higher volumes across all business segments drove the increase.

"Solid performance, strong net cost reduction and some additional tailwinds allowed Arconic to deliver a stronger than anticipated first quarter of 2017," said David Hess, Arconic interim CEO, who was appointed to replace Klaus Kleinfeld a few days before the company's conference call with investors and analysts. "The aerospace market is continuing its transition to new platforms where we are strongly positioned."

Arconic's Global Rolled Products business segment reported revenue of $1.2 billion, a 5 percent increase compared with 2016. Net cost savings and record automotive volumes drove the gains, partially offset by reduced wide-body build rates and destocking in the aerospace sector and lower heavy truck build rates.

The segment shipped 414,000 tons during the quarter, an increase of 7.5 percent compared with first-quarter 2016 and up 17.2 percent from the fourth quarter.

Carpenter Technology

Carpenter's Income, Sales Increase

Carpenter Technology Corp., Philadelphia, Pa., reported net income of $20.7 million on net sales of $473.6 million in its fiscal third quarter. Net income increased 186.6 percent from the prior quarter on a sales increase of 3.7 percent.

For the year to date, Carpenter's net sales declined 4.8 percent to $1.29 billion, while its net income totaled $21.5 million, a reversal of the $3.6 million loss posted during the first nine months of 2016.

"Our solid third-quarter results reflect revenue growth across our diverse end-use market portfolio, strong commercial execution and the benefits of our ongoing implementation of the Carpenter Operating Model," said Tony Thene, Carpenter's president and CEO. "Conditions across most of our markets have continued to improve, including in aerospace where we are seeing increasing demand and are benefiting from our broad participation. While the recovery in oil and gas remains in the early stages, we are encouraged by the increase in North American rig counts and believe we are well positioned to drive growth and gain market share as activity levels increase further."

The company increased its pounds sold by 3.1 percent to 63.3 million pounds in the third quarter, though its pounds sold remained down 3.3 percent for the year to date.

Kaiser

Kaiser Profitable Despite Headwinds

Kaiser Aluminum Corp., Foothill Ranch, Calif., reported net income of $36 million in its first quarter, an increase of 38.4 percent from the same quarter in 2016. Net sales for the quarter totaled $355 million, an increase of 4.0 percent. The sales increase was driven by a 3 percent gain in shipments and a 1 percent increase in the average selling price.

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>
> *Jack Hockema, Kaiser*

"Market-driven headwinds from lower sales margins and commercial aerospace supply chain destocking, combined with internal headwinds related to planned construction-related inefficiencies at our Trentwood rolling mill, negatively impacted our first-quarter results," said Jack A. Hockema, chairman and CEO. "Despite these headwinds, our first-quarter adjusted EBITDA and adjusted EBITDA margin were comparable to the strong prior-year period driven by solid operating performance and improved costs."

Kaiser attributes the 3 percent increase in shipments to improved demand from general engineering and supply chain restocking. Significantly improved manufacturing efficiency across the company's extrusion/drawn facilities more than offset the temporary construction-related inefficiencies at Trentwood, executives added.

Value-added revenue in the first quarter declined by 3

Mill First-Quarter Earnings

Three months ending March 31 in thousands of dollars

Company	2017	2016	% change
AK STEEL			
Net Sales	$1,533,400	$1,518,800	+0.9
Net Income	$62,500	($13,600)	+559.6
ALLEGHENY TECHNOLOGIES			
Net Sales	$3,192,000	$3,055,000	+4.5
Net Income	$322,000	$16,000	+1,912.5
ARCONIC			
Net Sales	$865,900	$757,500	+14.3
Net Income	$17,500	($101,200)	+117.3
CARPENTER TECHNOLOGY			
Net Sales	$473,600	$456,300	+3.7
Net Income	$20,700	($23,900)	+186.6
KAISER ALUMINUM			
Net Sales	$355,000	$343,000	+3.5
Net Income	$36,000	$26,000	+38.5
NUCOR			
Net Sales	$4,815,179	$3,715,176	+29.6
Net Income	$356,899	$87,565	+307.6
SDI			
Net Sales	$2,368,216	$1,791,301	+36.0
Net Income	$200,817	$62,737	+220.1
U.S. STEEL			
Net Sales	$2,725,000	$2,341,000	+16.4
Net Income	$180,000	($340,000)	+152.9

Compiled by *Metal Center News* from company reports

percent to $204 million due to lower margins on non-contract sales and a leaner mix of shipments. Aerospace high-strength value-added revenue declined 9 percent to $112 million due to supply chain destocking, while value-added revenue for automotive extrusions increased 3 percent to $30 million, reflecting significantly higher bumper product shipments following program delays experienced in 2016, the company said.

The Trentwood modernization project is proceeding as planned, and the company anticipates more significant construction activity and equipment outages in the second quarter. The effects of that construction will "have a significant impact on our second-quarter results as we complete this next phase to expand capacity and improve our competitive cost position," Hockema said.

Nucor

Steel Mills Segment Drives Nucor's Earnings

Nucor Corp., Charlotte, N.C., reported net earnings of $356.9 million in the first quarter, an increase of more than 300 percent compared with the same period in 2016. The steelmaker's net sales in the quarter jumped 30 percent to $4.82 billion. The late-2016 acquisitions of Republic Conduit and Southland Tube contributed to the sales gains.

"As expected, earnings in the first quarter of 2017 increased significantly compared to the fourth quarter of 2016 primarily due to the performance of our steel mills segment. The increased profitability of the steel mills segment was driven by the improved performance of our sheet, bar and plate mills," said John Ferriola, Nucor's chairman, president and CEO.

Nucor's average selling price per ton increased 21 percent compared with first-quarter 2016. Shipments to outside customers totaled 6.6 million tons, a 7 percent increase from the previous year. Total shipments grew by 9 percent. Overall operating rates at the company's steel mills averaged 89 percent in the first quarter, up from 74 percent in fourth-quarter 2016 and 80 percent in the prior-year quarter.

In March 2017, Nucor announced an investment of $85 million to upgrade the rolling mill at its steel bar facility in Marion, Ohio, to maintain a cost-competitive position by reducing operating costs.

Nucor expects steel mill earnings to climb even higher in the second quarter as margins expand due to the delayed impact of contract pricing. "We also expect increased profitability for our downstream products segment in the second quarter due to seasonal factors, as improving weather conditions benefit nonresidential construction markets," Ferriola said.

Steel Dynamics

SDI Sees Big Jump in Quarterly Income

Steel Dynamics, Inc., Fort Wayne, Ind., reported first-quarter net income of $201 million, an increase of 219 percent from the same quarter in 2016. The results represented a ten-fold increase from the prior quarter. Sales for the minimill company totaled $2.4 billion, an increase of 41.1 percent compared with first-quarter 2016.

"The team executed well and delivered a strong first-quarter performance with all of our operating platforms improving profitability," said Mark D. Millett, president and CEO. "Our first-quarter 2017 income from operations increased over 75 percent sequentially to $335 million with adjusted EBITDA of $421 million. The increase in our earnings was principally driven by our flat-roll operations, as demand was strong and customer inventory levels continued to be positioned at historically low levels."

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>
> *Mark Millett, SDI*

SDI also experienced increased shipments from its long product steel divisions as demand from the automotive sector remained steady and construction continued to improve. The company's Engineered Bar Products Division also benefited from positive momentum in the heavy equipment and energy sectors.

"Additionally, in what is typically a seasonally lower demand timeframe for our fabrication operations, the team achieved record quarterly shipments and improved earnings, a strong indicator that the nonresidential construction market is continuing a positive growth profile," Millett said.

The first-quarter average selling price for the company's steel operations increased $63 to $743 per ton. SDI's steel production utilization rate hit 95 percent in the first quarter, considerably higher than the 81 percent in the prior quarter and well above the industry average around 75 percent.

"The company believes that current and anticipated macroeconomic and market conditions are in place to benefit the domestic steel industry in the coming year," said Millett. "Although domestic automotive production may be coming off record levels, we believe 2017 North American automotive steel consumption will be steady, and that there will be additional growth in the construction sector, especially for larger, public-sector infrastructure projects."

U.S. Steel

Steelmaker Sees Progress in Loss

United States Steel Corp., Pittsburgh, Pa., reported a first-quarter net loss of $180 million on sales of $2.73 billion, an improvement on the loss of $340 million on sales of $2.34 billion in last year's first quarter.

"While our segment results improved by over $200 million compared with the first quarter of 2016, operating challenges at our Flat-Rolled facilities prevented us from benefiting fully from improved market conditions," said U.S. Steel CEO Mario Longhi. "However, we continue to be encouraged by the strength of our European business, and we are also seeing improving energy markets. Overall, improved commercial conditions more than offset higher raw materials and energy costs and increased maintenance and outage spending driven by our asset revitalization efforts."

First-quarter results for the company's Flat-Rolled segment declined significantly compared with the fourth quarter, primarily due to higher raw material costs, increased planned outage costs, seasonally lower results from mining operations, and restart costs associated with the Granite City hot-strip mill and the Keetac iron ore mine, the company reported. Results for its European segment improved due to increased average realized prices and a favorable first-in-first-out inventory impact. These benefits were partially offset by lower shipment volumes and higher raw material costs, particularly for coking coal and iron ore. U.S. Steel's Tubular segment improved from the fourth quarter due to higher prices, increased shipments, and lower spending, partially offset by increased substrate costs.

"Market conditions have continued to improve, and we will realize greater benefits as these improved conditions are recognized more fully in our future results," Longhi said. But the company will remain focused on long-term improvements to its business model. "This remains a cyclical industry, and we will not let favorable near-term business conditions distract us from taking the outages we need to revitalize our assets in order to achieve more reliable and consistent operations, improve quality and cost performance, and generate more consistent financial results." ■