Alcoa Profits As Manufacturing Recovers

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NEW YORK (AP) -- Alcoa Inc.'s second-quarter earnings rose as improvement in the manufacturing sector brought higher sales and prices that offset rising raw material costs.

The aluminum manufacturing giant reported double-digit increases in sales to the packaging, commercial transportation, and building and construction industries. It also sold more to customers in industrial products, aerospace and automotive businesses.

Alcoa capitalized on a 6 percent increase in aluminum prices and a 7 percent increase in the price for alumina, a raw material used to process aluminum. Part of that gain was offset by higher costs for energy and raw materials as well as foreign currency exchange rates.

Alcoa's performance can reflect broader economic trends because its products reach across a range of businesses from the aerospace and automobile industries to beverage cans and construction.

The company's stronger second-quarter results pointed to an improving global manufacturing sector after widespread supply shortages due to the Japanese earthquake and tsunami in March contributed to a slowdown.

U.S. government data last week showed factory orders for transportation equipment, including airplanes and automobiles, rose 6.3 percent in May after falling 9.3 percent in April. From January to May, transportation equipment orders rose 10.4 percent, including motor vehicles and aircraft.

Davenport & Co. LLC analyst Lloyd T. Carroll said the transportation sector is very strong for Alcoa and will likely stay strong, but the weak construction market remains a concern. He said Alcoa's higher building and construction revenue in the quarter was due to rising prices for aluminum and alumina.

For the April-to-June quarter, Alcoa's net income totaled $322 million, or 28 cents a share. That compares with $136 million, or 13 cents share, a year ago.

Excluding one-time items of $38 million, or 4 cents a share, Alcoa earned 32 cents a share. Analysts, who generally exclude one-item items, expected Alcoa to earn 33 cents per share, according to FactSet.

Revenue totaled $6.59 billion compared with $5.19 billion in the previous second quarter. Wall Street forecast revenue of $6.28 billion for the recent quarter.

Alcoa reaffirmed its forecast for 12 percent growth in global aluminum demand this

year. The company projected higher sales in 2011 across all its markets; including aerospace, automotive, and heavy truck and trailer production.

Alcoa expects commercial building and construction weakness in Europe and North America to be offset by substantial growth in China. Beverage can packaging revenue was forecast to fall in the U.S. but grow in Europe and China.

"The second quarter sets a successful milestone on a road to sustained better performance," Klaus Kleinfeld, chairman and CEO, told analysts during a conference call.

Argus Research analyst Bill Selesky said Alcoa reaffirming its outlook for rising demand was significant.

"This would tell a consumer that the global growth picture is still strong," with businesses still spending, he said. "The likelihood for growing demand for aluminum is continuing."

Alcoa released earnings after the markets closed. In Monday trading shares fell 47 cents, or 2.9 percent, to close at $15.91. In the past year, Alcoa's stock price has risen over 45 percent.

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