Schnitzer Steel To Cut 300 Jobs In Restructuring

The Associated Press

PORTLAND, Ore. (AP) — Schnitzer Steel Industries Inc. said Tuesday it will cut about 300 jobs as part of a restructuring plan designed to save the company $25 million in annual operating costs. The company also issued earnings guidance for the current quarter well below average Wall Street predictions, blaming lower sale prices for many of its products.

Schnitzer said the restructuring will help improve efficiency and support future growth, while lowering costs and ultimately boosting profits. The moves are expected to be mostly complete by the end of November.

The company said it expects restructuring charges to total about $12 million, with $5 million to be incurred in the fiscal fourth quarter, which ends Friday. Of the rest, about half is expected to be incurred in the fiscal 2013 first quarter, which ends in November, with the remainder by the end of the fiscal 2013.

Schnitzer said that most of the restructuring charges stem from the job cuts, which amount to about 7 percent of the company's total workforce. Contract termination costs will also contribute.

The company said export sale prices of ferrous metals tumbled in June and remained flat through July, before increasing slightly in August for September shipments. Meanwhile, inventory costs are expected to reduce the company's operating income by about $25 million compared with prior-quarter levels.

Schnitzer said it expects both average selling prices and volumes at its metals recycling business to fall from third-quarter levels, while lower commodity prices are expected to result in a drop in revenue at its auto parts business. The company said it expects higher volumes at its steel manufacturing business, but that will be more than offset by lower average selling prices.

As a result, Schnitzer said it expects its fourth-quarter earnings to be about break-even, before restructuring charges of about 12 cents per share. Analysts, on average, were expecting a profit of 22 cents per share. Analysts' estimates usually exclude one-time charges like restructuring costs.

Schnitzer shares bounced in early trading, and lost 22 cents at $28.93 about a half hour after the market open.

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