

2Q22: Alcoa Posts Strong Financial Results, Provides Returns to Stockholders

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PITTSBURGH, July 20, 2022 - [Alcoa Corporation](#) (NYSE: AA) today reported second quarter 2022 financial results that included an 11 percent sequential increase in revenue and strong cash flow that enabled stock buybacks and the payment of cash dividends.

Second Quarter Highlights

- Revenue increased sequentially to \$3.6 billion, primarily due to improved shipments and higher pricing
- Net income increased sequentially to \$549 million, or \$2.95 per share
- Adjusted net income of \$496 million, or \$2.67 per share
- Adjusted EBITDA excluding special items of \$913 million
- Cash balance of \$1.6 billion at quarter end
- Strong cash flows; increased capital returns with \$275 million of common stock repurchased and \$19 million in cash dividends
- Improved the Company's revolving credit facility with terms that provide more flexibility to execute on Alcoa's strategies

"We had a strong first half of 2022 with nearly \$2 billion in Adjusted EBITDA and cash flows that have enabled more buybacks under our existing stock repurchase program as well as continued quarterly dividend payments," said Alcoa President and CEO Roy Harvey. "We have returned more than \$380 million so far this year to our investors, and today we announced an additional \$500 million authorization for future stock repurchases.

"As we progress into the remainder of this volatile year, we remain focused on our strategic priorities and our vision to reinvent the aluminum industry for a sustainable future," Harvey said.

Financial Results

M, except per share amounts	2Q22	1Q22	2Q21
Revenue	\$3,644	\$3,293	\$2,833
Net income attributable to Alcoa Corp.	\$549	\$469	\$309
Earnings per share attributable to Alcoa	\$2.95	\$2.49	\$1.63
Adjusted net income	\$496	\$577	\$281
Adjusted earnings per share	\$2.67	\$3.06	\$1.49
Adjusted EBITDA excluding special items	\$913	\$1,072	\$618

Second Quarter 2022 Results

- Revenue: On a sequential basis, the Company's total third-party revenue increased 11 percent, driven primarily by improved shipments in Alumina and Aluminum. In Alumina, third-party revenue increased 26 percent sequentially with the average realized alumina price improving 18 percent to \$442 per metric ton. In the Aluminum segment, revenue increased 6 percent with higher shipments and regional premiums. The Company's average realized third-party price per metric ton of aluminum was \$3,864 in the second quarter.

- Shipments: Outbound transportation logistics improved in the second quarter with greater availability of railcars and vessels, positively influencing Alumina and Aluminum. In Alumina, third-party shipments increased 7 percent sequentially. In Aluminum, shipments of commodity grade aluminum were up 9 percent

sequentially, and value add products increased 3 percent.

- Production: In the second quarter, Alumina produced 3.23 million metric tons, and Aluminum produced 499,000 metric tons, largely consistent with the first quarter output.

- Net income attributable to Alcoa Corporation improved to \$549 million, or \$2.95 per share, from the first quarter's net income of \$469 million, or \$2.49 per share. The second quarter GAAP net income in comparison to first quarter includes several notable items:

-- Reversal of valuation allowances on Brazil value added taxes (VAT) recorded as \$83 million in restructuring and other charges and \$46 million in cost of goods sold. With the restart of the Alumar smelter in Brazil and its first metal sales in June 2022, the Company regained the ability to monetize state VAT credits that were fully reserved in 2018 and will be recovered in coming years with future domestic metal sales.

-- Absence of first quarter restructuring charges of \$125 million.

-- Mark-to-market gains of \$106 million related to energy contracts.

-- Charge of \$39 million to cost of goods sold for estimates of expected work on impoundments in Brazil.

-- Higher tax and noncontrolling interest impacts on above items of \$115 million.

- Adjusted net income was \$496 million, or \$2.67 per share, excluding the impact from net special items of \$53 million of income. Notable special items include restructuring and other reversals of \$75 million net, primarily related to the Brazil VAT item discussed above, a net favorable change of \$106 million in mark-to-market energy derivative instruments, costs of \$25 million related to the restart process at the Alumar smelter in Brazil and of modest capacity at the Portland Aluminium smelter in Australia, and tax and noncontrolling interest impacts on above items of \$98 million.

- Adjusted EBITDA excluding special items decreased 15 percent sequentially to \$913 million, primarily on lower metal prices late in the second quarter and higher costs for raw materials, energy, and production.

- Cash: Alcoa ended the quarter with cash on hand of \$1.6 billion. Cash provided from operations was \$536 million. Cash used for financing activities was \$349 million, primarily related to \$275 million in share repurchases, \$19 million in cash dividends on common stock, and \$46 million in net distributions to noncontrolling interest. Cash used for investing activities was \$93 million, which includes \$107 million of capital expenditures and \$10 million of proceeds from the April 30, 2022 sale of Alcoa's entire ownership interest in the Mineração Rio do Norte (MRN) bauxite mine.

- Working capital: The Company reported 43 days working capital, a sequential improvement of six days. Inventory days improved by four days with higher shipments in the second quarter. The decrease in accounts receivable of three days reflects the lower metal pricing late in the quarter. The accounts payable balance increased sequentially but reduced on a days basis by one day with higher sales in the second quarter.

Strategic actions:

- Returns to stockholders: In the first half of 2022, the Company returned \$387 million of capital to stockholders through \$37 million in cash dividends and \$350 million in share repurchases. In July 2022, the Company announced an additional \$500 million share repurchase program; \$150 million remained available for share repurchases at the end of the second quarter from a prior authorization.

- Revolving credit facility: On June 29, the Company announced that it successfully amended and restated its revolving credit facility (the "Facility") from \$1.5 billion to \$1.25 billion and extended the maturity date from November 2023 to June 2027. The Facility, which has not been drawn, includes terms that provide improved flexibility to execute on Alcoa's long-term strategies. Among other improvements, the Facility removes prior restrictions on both share repurchases and the payment of dividends. It released the prior collateral package, based on the Company maintaining specific credit ratings. Reaffirming the Company's commitment to its strategic priority to Advance Sustainably, the Facility now includes metrics on greenhouse gas intensity in the Alumina and Aluminum segments and the percentage of renewable energy consumption for smelters in the Aluminum segment.

- San Ciprián alumina refinery: In July, the refinery reduced its daily production rate to help offset some of the financial impact from rising natural gas prices in Spain. The refinery has experienced a significant increase in natural gas costs, climbing from approximately \$45 per ton of alumina produced in early 2021 to more than \$215 per ton in the second quarter 2022. The refinery, which has an annual capacity of 1.5 million metric tons per year, has reduced up to 15 percent of its capacity, moving to average production of approximately 4,000 metric tons per day.

- Aluminum updates: On July 1, the Company announced that one of its three operating potlines at the

Warrick smelter in Indiana was curtailed due to operational challenges, which stem from workforce shortages in the region.

- Separately, the planned restart of the full smelting capacity at the Alumar smelter in São Luís, Brazil is now scheduled to be complete in the first quarter of 2023. The smelter is owned by Alcoa and South32 Limited. Alcoa owns 268,000 metric tons of the site's 447,000 metric tons of capacity, and the Company announced in September 2021 that it would restart its share of the capacity.

- The Company announced in June that it has started a project to increase the Mosjoen, Norway site's nameplate capacity by 14,000 metric tons per year (mtpy). The work on improved electrical infrastructure, which will boost efficiency and output, is expected to increase the Norway site's capacity to 214,000 mtpy by the end of 2026.

- Alcoa announced in July that its Deschambault smelter in Quebec, Canada will be adding additional casting capability to produce standard ingots, supplementing the site's larger T-bar ingots. It is being developed to support customer needs for foundry alloys, which are used in a variety of automotive applications.

2022 Outlook

The Company expects total Aluminum segment shipments to remain unchanged from the prior forecast, ranging between 2.5 and 2.6 million metric tons in 2022.

In Alumina, the Company has decreased its 2022 projection for shipments to range between 13.6 and 13.8 million metric tons, a reduction of 0.6 million metric tons from the prior forecast primarily due to the lower shipments in the first half of 2022.

In Bauxite, the Company has decreased its 2022 projection for annual bauxite shipments to range between 44.0 and 45.0 million dry metric tons, a change of 2 million dry metric tons from the prior projection due to continuing disruptions in the Atlantic bauxite market and lower demand from refineries in the first half of 2022.

For the third quarter of 2022, Alcoa expects higher sequential profitability in the Bauxite segment with increased shipments, as refinery demand improves in the third quarter. In Alumina and Aluminum, shipments are expected to increase but will not fully offset higher costs for energy and raw materials.

The Company anticipates an approximately \$20 million negative impact to net income in the third quarter as a result of the Warrick line curtailment. The decrease in production volume at the San Ciprián refinery reduces the impact of the continuing rise in natural gas prices but is not expected to improve net income significantly on a sequential basis.

Based on current alumina and aluminum market conditions, the Company expects third quarter tax expense to approximate \$100 million to \$110 million, which may vary with market conditions and jurisdictional profitability.

Conference Call

Alcoa will hold its quarterly conference call at 5:00 p.m. Eastern Daylight Time (EDT) on Wednesday, July 20, 2022, to present second quarter 2022 financial results and discuss the business, developments, and market conditions.

The call will be webcast via the Company's homepage on www.alcoa.com. Presentation materials for the call will be available for viewing on the same website at approximately 4:15 p.m. EDT on July 20, 2022. Call information and related details are available under the "Investors" section of www.alcoa.com.

About Alcoa Corporation

Alcoa (NYSE: AA) is a global industry leader in bauxite, alumina and aluminum products with a vision to reinvent the aluminum industry for a sustainable future. Our purpose is to turn raw potential into real progress, underpinned by Alcoa Values that encompass integrity, operating excellence, care for people and courageous leadership. Since developing the process that made aluminum an affordable and vital part of modern life, our talented Alcoans have developed breakthrough innovations and best practices that have led to improved safety, sustainability, efficiency, and stronger communities wherever we operate.

Discover more by visiting www.alcoa.com. Follow us on our social media channels: Facebook, Instagram,

Twitter, YouTube and LinkedIn.

The Company does not incorporate the information contained on, or accessible through, such websites into this press release.

Dissemination of Company Information

Alcoa intends to make future announcements regarding company developments and financial performance through its website, www.alcoa.com, as well as through press releases, filings with the Securities and Exchange Commission, conference calls and webcasts.

Forward-Looking Statements

This news release contains statements that relate to future events and expectations and as such constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include those containing such words as “aims,” “ambition,” “anticipates,” “believes,” “could,” “develop,” “endeavors,” “estimates,” “expects,” “forecasts,” “goal,” “intends,” “may,” “outlook,” “potential,” “plans,” “projects,” “reach,” “seeks,” “sees,” “should,” “strive,” “targets,” “will,” “working,” “would,” or other words of similar meaning. All statements by Alcoa Corporation that reflect expectations, assumptions or projections about the future, other than statements of historical fact, are forward-looking statements, including, without limitation, forecasts concerning global demand growth for bauxite, alumina, and aluminum, and supply/demand balances; statements, projections or forecasts of future or targeted financial results, or operating or sustainability performance (including our ability to execute on strategies related to environmental, social and governance matters); statements about strategies, outlook, and business and financial prospects; and statements about capital allocation and return of capital. These statements reflect beliefs and assumptions that are based on Alcoa Corporation’s perception of historical trends, current conditions, and expected future developments, as well as other factors that management believes are appropriate in the circumstances. Forward-looking statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties, and changes in circumstances that are difficult to predict. Although Alcoa Corporation believes that the expectations reflected in any forward-looking statements are based on reasonable assumptions, it can give no assurance that these expectations will be attained and it is possible that actual results may differ materially from those indicated by these forward-looking statements due to a variety of risks and uncertainties. Such risks and uncertainties include, but are not limited to: (a) current and potential future impacts to the global economy and our industry, business and financial condition caused by various worldwide or macroeconomic events, such as the COVID-19 pandemic and the ongoing conflict between Russia and Ukraine, and related regulatory developments; (b) material adverse changes in aluminum industry conditions, including global supply and demand conditions and fluctuations in London Metal Exchange-based prices and premiums, as applicable, for primary aluminum and other products, and fluctuations in indexed-based and spot prices for alumina; (c) changes in global economic and financial market conditions generally, such as inflation and interest rate increases, and which may also affect Alcoa Corporation’s ability to obtain credit or financing upon acceptable terms or at all; (d) unfavorable changes in the markets served by Alcoa Corporation; (e) the impact of changes in foreign currency exchange and tax rates on costs and results; (f) increases in energy or raw material costs, or uncertainty of or disruption to energy or raw materials supply, and to the supply chain including logistics; (g) the inability to execute on strategies related to or achieve improvement in profitability and margins, cost savings, cash generation, revenue growth, fiscal discipline, environmental- and social-related goals and targets (including due to delays in scientific and technological developments), or strengthening of competitiveness and operations anticipated from portfolio actions, operational and productivity improvements, technology advancements, and other initiatives; (h) the inability to realize expected benefits, in each case as planned and by targeted completion dates, from acquisitions, divestitures, restructuring activities, facility closures, curtailments, restarts, expansions, or joint ventures; (i) political, economic, trade, legal, public health and safety, and regulatory risks in the countries in which Alcoa Corporation operates or sells products; (j) labor disputes and/or work stoppages and strikes; (k) the outcome of contingencies, including legal and tax proceedings, government or regulatory investigations, and environmental remediation; (l) the impact of cyberattacks and potential information technology or data security breaches; (m) risks associated with long-term debt obligations; (n) the timing and amount of future cash dividends and share repurchases; (o) declines in the discount rates used to measure pension and other postretirement benefit liabilities or lower-than-expected investment returns on pension assets, or unfavorable changes in laws or regulations that govern pension plan funding; and, (p) the other risk factors discussed in Part I Item 1A of Alcoa Corporation’s Annual Report on Form 10-K for the fiscal year ended December 31, 2021, the Quarterly Report on Form 10-Q for the quarter ended March 31, 2022, and other reports filed by Alcoa Corporation with the U.S. Securities and Exchange Commission. Alcoa Corporation disclaims any obligation to update publicly any forward-looking statements, whether in response to new information, future events or otherwise, except as required by applicable law. Market projections are subject to the risks

described above and other risks in the market.

Non-GAAP Financial Measures

Some of the information included in this release is derived from Alcoa Corporation's consolidated financial information but is not presented in Alcoa Corporation's financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Certain of these data are considered "non-GAAP financial measures" under SEC regulations. Alcoa Corporation believes that the presentation of non-GAAP financial measures is useful to investors because such measures provide both additional information about the operating performance of Alcoa Corporation and insight on the ability of Alcoa Corporation to meet its financial obligations by adjusting the most directly comparable GAAP financial measure for the impact of, among others, "special items" as defined by the Company, non-cash items in nature, and/or nonoperating expense or income items. The presentation of non-GAAP financial measures is not intended to be a substitute for, and should not be considered in isolation from, the financial measures reported in accordance with GAAP. Reconciliations to the most directly comparable GAAP financial measures and management's rationale for the use of the non-GAAP financial measures can be found in the schedules to this release.

Alcoa Corporation and subsidiaries
Statement of Consolidated Operations (unaudited)
(dollars in millions, except per-share amounts) ...

<https://investors.alcoa.com/news-releases/news-release-details/2022/2Q22-Alcoa-Posts-Strong-Financial-Results-Provides>Returns-to-Stockholders.html>

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