
AZZ posts smaller than expected earnings of 1.6pct in Q2

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AZZ Inc has reported a much smaller than expected 1.6% drop in fiscal second quarter earnings as higher margins were more than offset by steady overhead costs and falling revenue.

As such, the maker of electrical and industrial products and provider of galvanizing products boosted its previously reduced earnings target to USD 3 to USD 3.1 a share from USD 2.7 to USD 2.9 while narrowing its twice cut revenue outlook to the low end of its prior projection. AZZ saw a 7% increase in product sales, the biggest portion of its business.

Mr David Dingus president & CEO of AZZ said that the products business saw continued improvement from the first quarter, with particular strength in the electricity market.

While noting the difficulty in forecasting near-term results, Mr Dingus expects AZZ's backlog to begin increasing next spring. Backlog fell 27% in the latest quarter to USD 139.4 million and about two thirds of that is expected to be shipped the second half of this fiscal year. Also, 43% of the backlog is to be delivered internationally.

For the quarter ended August 31st 2009, AZZ posted earnings of USD 11.1 million, down from USD 11.3 million, a year earlier. Revenue dropped 7.8% to USD 95.2 million.

Mr Dingus noted the 23% drop in galvanizing revenue to USD 39.6 million was in part due to the record setting pace of last year. Steel production has falling this year amid the recession, and the volume of steel AZZ processed dropped 15%. Gross margin to 32.2% from 29.5%.

(Sourced from www.dowjones.com)

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