International Coal announces Q2 result

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International Coal Group Inc's adjusted quarterly profit beat market estimates as margins jumped, but the coal company cut its 2010 and 2011 sales view on its move to sell higher-priced metallurgical coal.

Second Quarter Highlights
1. Net income increases by 142% over second quarter 2009, excluding non-routine transactions
2. Operating margins increase by 26% compared to the same period last year
3. Metallurgical shipments triple versus second quarter 2009
4. ICG ADDCAR delivers its first overseas highwall mining system to India

International Coal Group Inc reported its results for the second quarter of 2010. As per report the company's adjusted EBITDA was USD 44.8 million for the second quarter of 2010 compared to USD 52.2 million for the second quarter of 2009. Second quarter 2010 Adjusted EBITDA was reduced by a USD 10.0 million charge due to a negotiated early termination of a thermal coal sales agreement. This termination enables ICG to sell approximately 400,000 additional tons as premium high-volatile metallurgical coal at significantly higher prices during 2010 and 2011. Second quarter 2009 results included a USD 7.7 million gain related to the termination of a below-market coal supply agreement. Exclusive of these items, Adjusted EBITDA would have been USD 54.8 million in the second quarter of 2010 and USD 44.5 million for the same period in 2009, a 23% increase.

The company' net income was USD 4.5 million for the second quarter of 2010 compared to net income of USD 10.4 million for the second quarter of 2009. Net income for the second quarter of 2010 also included a USD 6.1 million pre-tax loss on extinguishment of debt related to the Company's capital restructuring. Excluding the USD 10.0 million contract buyout and the USD 6.1 million loss on extinguishment of debt, pro forma net income in the second quarter of 2010 would have been USD 13.5 million. Excluding the USD 7.7 million gain related to the 2009 contract termination, pro forma net income in the second quarter of 2009 would have been USD 5.6 million.

Mr Ben Hatfield president and CEO of ICG said that "Our operating performance was solid throughout the second quarter. The improved margins, compared to the second quarter of 2009, were driven primarily by our moves to sell more metallurgical tons with higher pricing and our continued focus on effective cost control."

He continued that "We're seeing a steady improvement in thermal coal pricing, as utility coal inventories have fallen from record highs in November 2009 and are slowly approaching normalized levels. Above-normal summer temperatures are expected to further reduce coal stockpiles and provide more support for thermal prices. Although demand for metallurgical coal slowed in the second half of the quarter, we believe this plateau is temporary and not an indication of an extended change in the market outlook."