
Insteel Industries Q1 net sales down by 6.3% YoY

Thursday, 15 Jan, 2009

Insteel Industries Inc announced its financial results for the first quarter of fiscal 2009. For the first quarter ended December 27th 2008, Insteel reported a net loss of USD 5.6 million which included a pre tax charge of USD 6.8 million for inventory write downs compared with net earnings of USD 4.2 million. Net sales for the first quarter decreased 6.3% to USD 61.8 million from USD 66.0 million last year. Shipments decreased 38.0% while average selling prices rose 51.2%.

Insteel said that its financial results for the first quarter were also unfavorably impacted by the reduction in shipments, the consumption of higher cost inventory that was purchased earlier in the year and the escalation in unit conversion costs resulting from reduced operating schedules at its manufacturing facilities.

Operating activities used USD 15.8 million of cash for the first quarter while providing USD 17.2 million a year ago primarily due to the year over year changes in net working capital resulting from the decrease in shipments, the payment of USD 10.9 million of accrued income taxes and the reduction in accounts payable related to raw material purchases in the current year quarter together with the loss that was incurred. Capital expenditures for the first quarter were USD 0.9 million and are expected to total less than USD 5.0 million for fiscal 2009, although the actual amount will be determined based on future market conditions, Insteel's financial performance and additional investment opportunities that may arise. Insteel ended the quarter debt-free with USD 1.2 million of cash.

Mr H O Woltz III president and CEO of Insteel said that "Our level of visibility remains limited due to the ongoing tightness in the credit markets, the general downturn in the economy and the worldwide collapse of steel prices. Customers continue to be highly conservative with their purchasing activities in view of the weak outlook for construction markets and to minimize their inventories in this volatile pricing environment. Although the timing and magnitude remain uncertain, the substantial increase in federal infrastructure-related funding that is being contemplated by Congress and the incoming Administration could serve to offset the expected weakness in other categories of nonresidential construction, particularly in the commercial sector, which has been the most severely impacted by the economic downturn. As we move into the second quarter, we expect order levels to rise as the rebalancing of customer inventories is completed and demand for our products becomes more closely aligned with actual end user demand. We also expect margins to gradually improve over the remainder of the year as the lower replacement costs for raw materials begin to be reflected in cost of sales and through the cost reduction measures that have been implemented."

For more news visit at www.steelguru.com