Insteel Industries announces Q2 financial results

Friday, 17 Apr, 2009

Insteel Industries Inc has reported a net loss of USD 16.4 million for the second quarter ended March 28th 2009 as compared with net earnings of USD 6.9 million for the same period last year. The net loss for the current year quarter includes a pre tax charge of USD 16.1 million for inventory write downs to reduce the carrying value of inventory to the lower of cost or market.

Net sales for the second quarter decreased by 34.8% YoY to USD 50.4 million from USD 77.3 million in the same year ago period. Shipments decreased by 45.5% YoY while average selling prices increased by 19.7% YoY.

For the six month period ended March 28th 2009, the net loss was USD 22 million as compared with net earnings of USD 11.1 million for the same period last year. The net loss for the current year includes a pre tax charge of USD 23 million for inventory write downs. Net sales for the six month period decreased by 21.7% YoY to USD 112.2 million from USD 143.2 million in the same year ago period. Shipments decreased 41.9% while average selling prices increased 34.9% from the same period last year.

Insteel's financial results for the second quarter were unfavorably impacted by the reduction in shipments, the consumption of higher cost inventory that was purchased prior to the recent collapse in steel prices and the escalation in unit conversion costs resulting from reduced operating schedules at its manufacturing facilities. The Company's overall capacity utilization level for the quarter was 35%. Shipments continued to trend at reduced levels due to customer inventory destocking, the general economic downturn and the tightening in the credit markets. Although selling prices for Insteel's products have fallen since the beginning of the fiscal year to a lesser extent than the prices for hot rolled steel wire rod, its primary raw material, the favorable impact from the widening in spreads has not been reflected in the Company's current year results due to the inventory write downs and consumption of the previously purchased higher cost inventory.

Mr HO Woltz III president & CEO of Insteel said that "In the wake of the dramatic drop off in demand that has occurred since September, our visibility is limited as we move into the second half of the year. We expect our order book to improve due to the usual seasonal factors together with the anticipated completion of the inventory rebalancing by our customers, although the timing and magnitude of any upturn remains uncertain. We also believe the mismatching of higher raw material costs with lower selling prices is largely behind us and expect significant improvement in our margins as the lower replacement costs for wire rod begin to be reflected in cost of sales."

He added that "Despite the losses we have incurred resulting from the unprecedented decline in steel prices, we are pleased with the effectiveness of the measures that we have taken to preserve cash. Absent further deterioration in our markets, we expect to generate strong operating cash flow through the remainder of the fiscal year driven by the anticipated improvement in our financial results together with substantial reductions in our inventory levels. We will continue to focus on cash generation through our ongoing initiatives to minimize operating costs and closely manage working capital while continuing to meet the expectations of our customers."