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By Melanie Lindner

Schnitzer Steel's finds productive uses for disposed metal scraps, but investors saw no use for the company's stock on Monday.

Schnitzer Steel Industries reported its first-quarter earnings on Monday, causing investors to flee the stock. For the period ending November 30, the Portland, Ore.-based company earned $25.0 million, or 85 cents per share, up 23.0% from $21.0 million, or 69 cents per share the first quarter of 2007. Sales for the first quarter climbed 18.0% to $604.0 million from $510.0 million in the year ago period.

In spite of its year-over-year gains, analysts and investors were disappointed with Schnitzer Steel's results as they fell short of expectations. Analysts polled by Thomson Financial predicted earnings per share of $1.07.

Schnitzer Steel dropped more than 7.0% Monday morning, but recovered to a more modest loss of $2.61, or 4.1%, to $61.04 in midday trading.

According to analyst Sal Tharani of Goldman Sachs, Schnitzer Steel was unable to meet the benchmark set by analysts because of higher freight costs. Also the company suffered a hit from the unavailability of ships for scrap exports, which resulted in a significant decline in shipping volume and margins at its Metal Recycling division.

Tharani noted one positive, which was the Schnitzer Steel's operating income from its steel manufacturing business. In this subsidiary, the company earned $14.0 million, which is 24.0% better than Goldman Sachs had predicted.

Tharani attributed the gain to higher-than-forecasted prices and volumes.

Tharani maintained his $49.00 price target on Schnitzer Steel, implying that at their current price, shares are "significantly overvalued."