Ryerson reports fourth-quarter 2006 loss

Ryerson Inc., a distributor and processor of metals in North America, reported a fourth-quarter loss caused by excess inventory and an increase in stainless steel prices, missing Wall Street's estimate.

The Chicago-based company reported a loss of $4.4 million, or 17 cents per diluted share, for the quarter ending Dec. 31, compared with a net income of $6.3 million, or 24 cents per diluted share, in the previous year.

Analysts expected a profit of 50 cents per diluted share.

Fourth-quarter sales rose 8 percent to $1.4 billion from $1.3 billion in the year-earlier period.

Ryerson owns a coil processing center in Burns Harbor

According to the company, fourth-quarter volume reflected the typical year-end slowdown, and the net loss was caused by excess inventory and an increase in steel and aluminum prices, up 84 percent and 25 percent respectively compared with 2005.

Gross profit per ton was $249 per ton, a 4 percent increase compared with $240 in the year-earlier quarter.

"While robust sales volume in strong years practically ensures profits for even the weakest processor, Ryerson has not proved that it can effectively weather a downturn," wrote Ben Butwain, analyst at Morningstar Inc., in a recent report.

Goldman Sachs Group Inc., an investment brokerage firm recently adjusted its estimate to 39 cents a share in its steel stocks overview report in January.

"The share price appears modestly over-valued compared to our target price.

Recent news of shareholders activism has pushed the share price higher. But fundamentals of the company remain weak, at least in the near term," wrote Sal Tharani in the report. "Its high inventories are our biggest concern."

"We expect better earnings as steel prices rise in the second quarter, and also some benefits from LIFO credit in 2007," Tharani stated.

Wall Street estimates 70 cents per diluted share for the first quarter and $2.93 per diluted share for the full year.

For the 2006 year, the company reported a 27 percent decline in net income to $71.8 million, or $2.50 per diluted share, from $98.1 million or $3.78 per diluted share in 2005. Sales rose 2.2 percent to $5.9 billion from $5.7 billion.

The company said it plans to reduce its inventory in the current quarter by at least $100 million from year-end levels, and to achieve inventory turnover of five turns by year-end.

According to Butin's report, the company managed just over four turns in 2006, compared to the industry average of five.

In 2007, the company stated, will also address underperforming service centers, and aim for an operating profit improvement of $30 million.

The company also intends to complete the integration of Intergris Metals, which was acquired in 2005, consolidating 15 service centers and capturing additional savings of $10 million to achieve annualized Integris synergy savings of $60 million by the year's end.