



Platts Commodity News

Wheeling-Pittsburgh reports 2006 profit, plans upgrades

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Wheeling-Pittsburgh late Friday reported net 2006 income of \$6.5 million compared with a loss of \$33.8 million in 2005. Fourth-quarter results showed a net loss of \$18.1 million, an improvement on losses of \$23.4 million in the year-earlier period.

Fourth-quarter earnings were hurt by the outage of the company's electric arc furnace from mid-November through the end of the year. The furnace restarted in early February this year and is operating at full capacity.

Net sales for the year were \$1.77 billion, up from 2005 net sales of \$1.56 billion. Fourth-quarter net sales totaled \$357.1 million, down from \$370.9 million one year earlier.

Shipments in 2006 rose to 2.33 million st from 2.16 million st in 2005. Fourth-quarter shipments fell to 431,000 st from 527,000 st in the same 2005 period. Company executives said in a conference call with analysts that output in the current quarter was expected to reach about 565,000 st.

Shortly before releasing earnings, company executives said in a conference call Friday that an agreement had been reached to merge the steelmaker with US steel distributor Esmark.

In seeking to remake Wheeling-Pittsburgh, Esmark asked for and received approval from the United Steelworkers union, which represents most of the steelmaker's workers, to import as much as 200 million mt of slabs annually to help increase output.

Wheeling-Pittsburgh's capital spending for 2007 is planned at \$65 million to \$70 million--up from \$35 million in 2006--with at least \$45 million earmarked for projects including upgrades to the the company's blast furnace, and electric arc furnace, and installation of a new slab caster, hot strip mill, bag house, and other improvements. An estimated \$19 million to \$20 million in investments is planned on the finishing side, including \$4.2 million to expand the company's corrugated steel operations.

Jim Bouchard, the steelmaker's chairman, said the company lost its largest customer in late 2006 but had been able to add 500,000 st of new orders with more than 20 customers in the first quarter.

The company's EAF restarted in early February and is operating at capacity. The steelmaker plans to produce more than 3 million st of hot-rolled products in 2007. Its installed hot-rolled capacity is 3.4 million st.

Wheeling-Pittsburgh's long-term debt will be paid off by April 1, 2008, if the merger comes about as planned, or within three years if it does not, company executives told analysts during the call.