Alcoa to Close Warrick Smelter and Curtail Remaining Capacity

Lightweight metals leader Alcoa announced it is taking further action to increase the competitiveness of its Upstream business amid prevailing market conditions. In 2015, the Midwest transaction aluminum price dropped approximately 30 percent, and the Alumina Price Index fell approximately 40 percent.

Alcoa will permanently close its 269,000 metric ton Warrick Operations smelter in Evansville, Indiana by the end of the first quarter 2016. By the end of the second quarter 2016, the Company will reduce alumina production by one million metric tons, which includes curtailing the remaining 810,000 metric tons of refining capacity at its Point Comfort operations in Texas. The rolling mill and power plant at Warrick Operations will continue to operate.

“We recognize how deeply these decision impacts employees and we are committed to work closely with our employees, unions and community stakeholders to support them through this transition,” said Roy Harvey, President of Alcoa's Global Primary Products. “Despite the hard work of employees, these assets are not competitive. We're confident that these actions are the right ones in face of these challenging market conditions. We are committed to creating a resilient business ready for launch as an independent company in 2016.”

Once the actions announced and in the fourth quarter are implemented, Alcoa will have curtailed or closed 812,000 metric tons of smelting capacity and 3.3 million metric tons of refining capacity since its announced review in March 2015 of 500,000 metric tons of smelting capacity and 2.8 million metric tons of refining capacity.

Alcoa forecasts improving supply-demand balances in both the alumina and aluminum markets for 2016, and is focused on positioning the business for success throughout market cycles. The company is on target to meet or exceed its 2016 goals of moving to the 38th percentile on the aluminum cost curve and 21st percentile on the alumina cost curve. As a result of announcement, the Company will record an associated charge in the fourth quarter of approximately $120 million after-tax, or $0.09 per share, of which approximately 45 percent will be non-cash. Additional charges in the first quarter of 2016 related to these actions are expected to be between $50

million and $60 million after-tax, or $0.04 to $0.05 per share, of which almost 80 percent will be non-cash. As previously announced, Alcoa will separate into two, industry-leading publicly traded companies in the second half of 2016 – an Upstream-focused company including its Mining, Refining, Smelting, Energy and Casting businesses, and a Value-Add company including its Global Rolled Products, Engineered Products and Solutions, and Transportation and Construction Solutions businesses.

Samsung Electronics to Produce New Qualcomm Chips

Qualcomm Inc said Samsung Electronics Co. Ltd. will become the sole manufacturer of its new flagship mobile chip, a major boost for the South Korean tech giant as it vies for deals with bigger rival Taiwan Semiconductor Manufacturing Co. Ltd. (TSMC).

The deal, which some analysts estimate is worth over $1 billion, comes as Samsung, a major Apple Inc supplier, is heading into another profit drop this year due to slowing demand for consumer electronics and components.

"This is very significant because never before has Qualcomm used foundries other than TSMC to make high-end chipsets," Maybank Kim Eng analyst Warren Lau said.

Samsung could gain more than $1 billion in revenue from the Snapdragon 820 orders at its Taiwanese rival's expense, he said.

TSMC, which has counted Qualcomm as its top customer, said it expected falling demand in high-end smartphones in the current quarter after posting a better than expected quarterly profit.

Qualcomm said in a separate e-mail statement that Samsung was the sole manufacturer for the new Snapdragon 820 mobile processors.

Though Qualcomm's order alone will not rejuvenate Samsung's earnings, the deal suggests gathering momentum in the Korean firm's efforts to grow its foundry business to diversify its revenue stream.

The firm is relying more on components such as chips and displays as rivals Apple and Huawei Technologies Co. Ltd. undercut sales and margins of the world's top smartphone maker.

TSMC dwarfs Samsung's foundry

business in terms of revenue, but the two firms are competing fiercely for orders from high-end customers including Apple Inc. Samsung's 14-nanometre technology has helped the firm gain ground against TSMC and pick up new clients.

Maybank Kim Eng's Lau said, “Qualcomm would likely increase orders to Samsung for other Snapdragon chips that would launch later this year, and it would be a key client once the South Korean firm started mass production based on the 10-nanometre technology under development. Qualcomm's orders could also attract more customers away from TSMC to Samsung, he said.

Smaller chips reduce power consumption; improve performance and lower costs by allowing more to fit on a single wafer. Samsung said the Snapdragon 820 used its 14-nanometre manufacturing process, which it also used to make its own Exynos processors. They would be in products in the first half of the year, Samsung added in a statement, without revealing the value of the contract.

This section is a compilation from various company press releases, business dailies & trade publications