Alcoa case study examples

Business, Company

Alcoa has been reporting an increase in its profits for the past three years like in the year 2010 the revenue announced was $210 billion a 14% increase from the year 2009. This steady increase has continued to be announced up to the year 2012. The company credits this increase to an increased demand for aluminum in worldwide, an increase demand for their products and also an increase in the value of their products.

Alcoa has mainly financed its growth through the sale of its assets though at prices below market. This many analysts believe is the main reason that Alcoa is reporting an increase revenue despite the stocks of the company not reflecting this growth as its stocks are still trading at a net loss of -0. 11 as of march 2013, this has continued consistently over the past one year despite an increase in revenue.

This means that the growth of the firm has not created value for this company as it would be reflected in the trading price of its stocks. Many experts that the sale of many company assets below market price is an indicator that the company is not credit worthy and it cannot receive loans from financial institutions.

The company’s performance has increased while its assets have been declining consistently since the year 2010; the company’s sales have increased significantly though the profit margins have been brought down by the high cost of energy that is used in production.

In the year 2012 the company recorded anadjusted EBITDA margin of 17. 7 percent, in the fourth quarter, the company still has a high value creation potential due to the continued increase in aluminum demand worldwide and in America especially in the automobile industry which is moving towards constructing aluminum body cars.

References

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