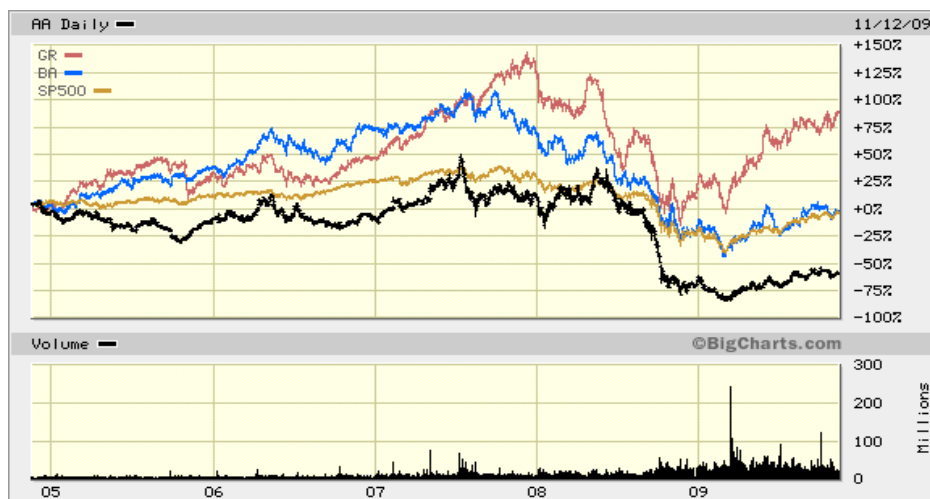


## Alcoa, Inc. (AA) 11/12/09

AA operates in the production and marketing of alumina and finished aluminum products worldwide. AA operates in different business segments which include; Primary Alumina, Flat Rolled Products, Engineered Solutions, and End Products. The company has mining and fabrication operations around the world with much exposure to the BRIC countries. AA was founded in 1888 and headquartered in New York, New York.

Current Price	\$13.20
52 Week High	\$15.11
52 Week Low	\$4.97
One Yr Target	\$15.00
Market Cap (in billions)	\$12.86
P/E (Trailing)	-7.97
P/E(1 Yr Forward)	24.00
P/E/G	n/a
ROA	-4.14%
ROE	-11.71%
EPS	-\$1.66
Beta	1.88
Annualized Dividend	\$0.12
Dividend Yield	0.91%
Analyst Consensus	2.90
Debt to Equity	1.88



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**Annual EPS**

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2005	\$1.74	
2006	\$3.07	76.11%
2007	\$3.84	25.24%
2008	\$0.56	-85.37%
2009E	-\$1.66	-394.56%

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**Annual Revenue (in millions)**

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2005	\$25,568.00	
2006	\$28,950.00	13.23%
2007	\$29,280.00	1.14%
2008	\$26,901.00	-8.13%

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**Annual Net Income (in millions)**

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2005	\$1,516.00	
2006	\$2,662.00	75.59%
2007	\$3,179.00	19.42%
2008	\$450.00	-85.84%

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**Free Cash Flows (in millions)**

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2005	-\$462.00	
2006	-\$638.00	-38.10%
2007	-\$525.00	17.71%
2008	-\$2,204.00	-319.81%

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**Required Rate of Return**

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15.88%

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**Dividend Growth Model**

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Present Value of 2014 Price	\$1.33
Holding Period Return (5 years)	-22.58%

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**Expected Annualized Return Model**

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Present Value of 2014 Price	\$5.12
Holding Period Return (5 years)	-16.84%

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**Residual Income Model**

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Intrinsic Stock Price	\$44.47
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# Analysis

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## Positives

## Negatives

Company has had dismal growth and financial ratios that past couple of years

Two of three valuation ratios have the stock price as being overvalued

## Financial Statements

Income Statement is slowing with Revenues being clipped by increasing Operating Expenses

Balance Sheet is ok with good Retained Earnings and Treasury Stock, but has added Debt

Cash Flows are average

## Industry Analysis

AA is the leader in a small industry, but one which is out of the business cycle

AA's financial numbers are average for the industry

## Summary

AA is a good company and the leading name in aluminum production. It operates in a small industry that has high barriers to entry, and is well exposed to markets around the world. Lately its financial numbers have suffered as a result of a drop in aluminum prices and decreased demand. Its financial statements are somewhat poor but not all that bad considering the economic forces that have acted on its business model in that past years. The company is committed to improving its capital position and increasing profit margins by focusing on more downstream operations. Demand should increase with continued infrastructure projects from BRIC countries and a returning cyclical business cycle from North America. Still there is expected to be an aluminum surplus for the near future and margins may be even further hurt if energy costs rise. Currently AA is not a good buy, yet if the business cycle turns and cyclical demand for aluminum increases AA is the way to go.