

Arconic Inc.  
Form 10-Q  
November 09, 2016

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 10-Q**

**(Mark One)**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**For the Quarterly Period Ended September 30, 2016**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
ACT OF 1934**

**Commission File Number 1-3610**

**ARCONIC INC.**

**(Exact name of registrant as specified in its charter)**

**PENNSYLVANIA**  
**(State of incorporation)**

**25-0317820**  
**(I.R.S. Employer Identification No.)**

**390 Park Avenue, New York, New York**  
**(Address of principal executive offices)**

**10022-4608**  
**(Zip code)**

**Investor Relations 212-836-2674**

**Office of the Secretary 212-836-2732**

**(Registrant's telephone number including area code)**

**Alcoa Inc.**

**(Former name, former address and former fiscal year, if changed since last report)**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 7, 2016, 438,478,283 shares of common stock, par value \$1.00 per share, of the registrant were outstanding.

**EXPLANATORY NOTE**

On October 31, 2016, Alcoa Inc. changed its name to Arconic Inc. ( Arconic ). The separation of Arconic from Alcoa Corporation became effective before the opening of the New York Stock Exchange on November 1, 2016. References in this report to Arconic before its name change refer to Alcoa Inc.

**PART I FINANCIAL INFORMATION****Item 1. Financial Statements.****Arconic and subsidiaries****Statement of Consolidated Operations (unaudited)****(in millions, except per-share amounts)**

	<b>Third quarter ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Sales (L)	\$ 5,213	\$ 5,573	\$ 15,455	\$ 17,289
Cost of goods sold (exclusive of expenses below)	4,217	4,559	12,474	13,665
Selling, general administrative, and other expenses (R)	275	261	821	717
Research and development expenses	38	55	119	178
Provision for depreciation, depletion, and amortization	316	318	934	958
Restructuring and other charges (D)	18	66	134	460
Interest expense	133	123	389	369
Other income, net (K)	(117)	(15)	(120)	(27)
<b>Total costs and expenses</b>	<b>4,880</b>	<b>5,367</b>	<b>14,751</b>	<b>16,320</b>
Income before income taxes	333	206	704	969
Provision for income taxes	147	100	329	401
<b>Net income</b>	<b>186</b>	<b>106</b>	<b>375</b>	<b>568</b>
Less: Net income attributable to noncontrolling interests	20	62	58	189
<b>NET INCOME ATTRIBUTABLE TO ARCONIC</b>	<b>\$ 166</b>	<b>\$ 44</b>	<b>\$ 317</b>	<b>\$ 379</b>
<b>AMOUNTS ATTRIBUTABLE TO ARCONIC COMMON SHAREHOLDERS (N):</b>				
Net income	\$ 148	\$ 26	\$ 265	\$ 327
<b>Earnings per share:</b>				
Basic	\$ 0.34	\$ 0.06	\$ 0.60	\$ 0.79
Diluted	\$ 0.33	\$ 0.06	\$ 0.60	\$ 0.78
Dividends paid per share	\$ 0.09	\$ 0.09	\$ 0.27	\$ 0.27

The accompanying notes are an integral part of the consolidated financial statements.

**Arconic and subsidiaries****Statement of Consolidated Comprehensive (Loss) Income (unaudited)**

(in millions)

	Arconic		Noncontrolling interests		Total	
	Third quarter ended September 30,		Third quarter ended September 30,		Third quarter ended September 30,	
	2016	2015	2016	2015	2016	2015
Net income	\$ 166	\$ 44	\$ 20	\$ 62	\$ 186	\$ 106
Other comprehensive (loss) income, net of tax (C):						
Change in unrecognized net actuarial loss and prior service cost/benefit related to pension and other postretirement benefits	(462)	111	(1)	9	(463)	120
Foreign currency translation adjustments	157	(889)	45	(299)	202	(1,188)
Net change in unrealized losses/gains on available-for-sale securities		(2)				(2)
Net change in unrecognized gains/losses on cash flow hedges	(338)	214	(10)	1	(348)	215
Total Other comprehensive (loss) income, net of tax	(643)	(566)	34	(289)	(609)	(855)
Comprehensive (loss) income	\$ (477)	\$ (522)	\$ 54	\$ (227)	\$ (423)	\$ (749)

	Nine months ended September 30,		Nine months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015	2016	2015
Net income	\$ 317	\$ 379	\$ 58	\$ 189	\$ 375	\$ 568
Other comprehensive (loss) income, net of tax (C):						
Change in unrecognized net actuarial loss and prior service cost/benefit related to pension and other postretirement benefits	(365)	212	2	14	(363)	226
Foreign currency translation adjustments	505	(1,649)	184	(517)	689	(2,166)
Net change in unrealized losses/gains on available-for-sale securities	4	(2)			4	(2)
Net change in unrecognized gains/losses on cash flow hedges	(571)	584	4	(3)	(567)	581
Total Other comprehensive (loss) income, net of tax	(427)	(855)	190	(506)	(237)	(1,361)
Comprehensive (loss) income	\$ (110)	\$ (476)	\$ 248	\$ (317)	\$ 138	\$ (793)

The accompanying notes are an integral part of the consolidated financial statements.

**Arconic and subsidiaries****Consolidated Balance Sheet (unaudited)****(in millions)**

	<b>September 30, 2016</b>	<b>December 31, 2015</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,863	\$ 1,919
Restricted cash (I)	1,337	37
Receivables from customers, less allowances of \$14 in 2016 and \$13 in 2015 (O)	1,675	1,340
Other receivables (O)	458	522
Inventories (F)	3,455	3,442
Prepaid expenses and other current assets	580	693
<b>Total current assets</b>	<b>9,368</b>	<b>7,953</b>
Properties, plants, and equipment	34,943	33,687
Less: accumulated depreciation, depletion, and amortization	19,821	18,872
Properties, plants, and equipment, net	15,122	14,815
Goodwill (E)	5,384	5,401
Investments (G)	1,465	1,685
Deferred income taxes	3,074	2,668
Other noncurrent assets (H)	3,035	3,955
<b>Total assets</b>	<b>\$ 37,448</b>	<b>\$ 36,477</b>
<b>LIABILITIES</b>		
Current liabilities:		
Short-term borrowings	\$ 32	\$ 38
Accounts payable, trade	2,739	2,889
Accrued compensation and retirement costs	830	850
Taxes, including income taxes	217	239
Other current liabilities	909	1,174
Long-term debt due within one year	773	21
<b>Total current liabilities</b>	<b>5,500</b>	<b>5,211</b>
Long-term debt, less amount due within one year (I)	9,501	8,993
Accrued pension benefits	3,700	3,298
Accrued other postretirement benefits	2,177	2,106
Other noncurrent liabilities and deferred credits	2,625	2,738

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Total liabilities	23,503	22,346
CONTINGENCIES AND COMMITMENTS (J)		
EQUITY		
Arconic shareholders' equity:		
Preferred stock	55	55
Mandatory convertible preferred stock	3	3
Common stock	438	1,391
Additional capital	8,197	10,019
Retained earnings	8,940	8,834
Treasury stock, at cost		(2,825)
Accumulated other comprehensive loss (C)	(5,858)	(5,431)
Total Arconic shareholders' equity	11,775	12,046
Noncontrolling interests	2,170	2,085
Total equity	13,945	14,131
Total liabilities and equity	\$ 37,448	\$ 36,477

The accompanying notes are an integral part of the consolidated financial statements.



**Arconic and subsidiaries****Statement of Consolidated Cash Flows (unaudited)**

(in millions)

	<b>Nine months ended September 30,</b>	
	<b>2016</b>	<b>2015</b>
<b>CASH FROM OPERATIONS</b>		
Net income	\$ 375	\$ 568
Adjustments to reconcile net income to cash from operations:		
Depreciation, depletion, and amortization	938	959
Deferred income taxes	(67)	(18)
Equity income, net of dividends	32	137
Restructuring and other charges (D)	134	460
Net gain from investing activities – asset sales (G & K)	(152)	(69)
Net periodic pension benefit cost (P)	246	365
Stock-based compensation	73	78
Excess tax benefits from stock-based payment arrangements		(9)
Other	67	(65)
Changes in assets and liabilities, excluding effects of acquisitions, divestitures, and foreign currency translation adjustments:		
(Increase) in receivables	(226)	(97)
Decrease (increase) in inventories	7	(176)
(Increase) decrease in prepaid expenses and other current assets	(10)	31
(Decrease) in accounts payable, trade	(196)	(240)
(Decrease) in accrued expenses	(417)	(424)
Increase in taxes, including income taxes	63	135
Pension contributions	(227)	(363)
(Increase) in noncurrent assets (J)	(284)	(348)
(Decrease) in noncurrent liabilities	(148)	(207)
<b>CASH PROVIDED FROM OPERATIONS</b>	<b>208</b>	<b>717</b>
<b>FINANCING ACTIVITIES</b>		
Net change in short-term borrowings (original maturities of three months or less)	(6)	(6)
Additions to debt (original maturities greater than three months)	1,313	1,534
Debt issuance costs		(2)
Payments on debt (original maturities greater than three months)		