

The Merriam Report ATI QEJun-09 Allegheny Technologies

All amounts in millions except for earnings per share

Quarterly period ending:	QEJun-08	QESep-08	QEDec-08	QEMar-09	QEJun-09	Averages	
Earnings Per Share (Incl. Ext. Items)	\$ 1.660	\$ 1.450	\$ 1.160	\$ 0.060	\$ (0.140)	\$ 0.838	
% Change in E.P.S. (from prev. qtr.)		-12.7%	-20.0%	-94.8%	-333.3%	-115.2%	
Total Revenues	1461.20	1392.40	1112.70	831.60	710.00	1101.58	
% Change in Revenues (from prev. qtr.)		-4.7%	-20.1%	-25.3%	-14.6%	-16.2%	
Cost of Revenues	1128.9	1085.8	890.3	750.9	634.8	898.1	
Accounts Receivable:	738.3	744.5	530.5	448.8	398.2	572.1	
% Change in Receivables (from prev. qtr.)		0.8%	-28.7%	-15.4%	-11.3%	-13.6%	
DSO's (# of days it took customers to pay)	46.0	48.7	43.4	49.1	51.0	47.6	
Inventories:	1171.2	1083.9	887.6	746.2	692.9	916.4	
% Change in Inventory (from prev. qtr.)		-7.5%	-18.1%	-15.9%	-7.1%	-12.2%	
Inventory as a % of Sales	80.2%	77.8%	79.8%	89.7%	97.6%	85.02%	
Prepaid Expenses:	0.00	0.00	0.00	0.00	0.00	0.0	
Other Current Assets:	48.3	40.2	41.4	44.9	76.2	50.2	
Property, Plant & Equip. (net):	1446.9	1523.4	1633.6	1709.8	1787.0	1620.1	
% Change in P,P&E (from prev. qtr.)		5.3%	7.2%	4.7%	4.5%	5.4%	
Accounts Payable:	738.0	705.2	600.5	506.1	466.0	603.2	
% Change in Payables (from prev. qtr.)		-4.4%	-14.8%	-15.7%	-7.9%	-10.7%	
Quarterly period ending:	QEJun-08	QESep-08	QEDec-08	QEMar-09	QEJun-09		
Total Liabilities:	1939.7	1947.3	2213.0	2082.3	2245.9	2085.6	
Shareholder equity:	2427.1	2364.7	1957.4	1951.0	2075.5	2155.1	
Retained Earnings (Accum. Deficit)	2104.8	2230.4	2286.7	2260.3	2227.2		
Operating Cash Flow (OCF)	1704.1	1783.6	1532.0	1566.2	1625.5	1642.3	
OCF as % of Revenues	116.6%	128.1%	137.7%	188.3%	228.9%	170.8%	
Balance Sheet Cash Flow (BSCF)	415.1	457.4	1040.6	1082.5	1305.5	860.2	
BSCF as % of Revenues	28.4%	32.8%	93.5%	130.2%	183.9%	110.1%	
Spread between OCF & BSCF	1289.0	1326.2	491.4	483.7	320.0	782.1	
Ratios							
Spread to Revenues	88.22%	95.25%	44.16%	58.16%	45.07%	0.662	
Spread to OCF							
MR Dual Cash-Flow Figure	0.882	0.952	0.442	0.582	0.451		

The Merriam Report

Allegheny Technologies

ATI

QEJun-09

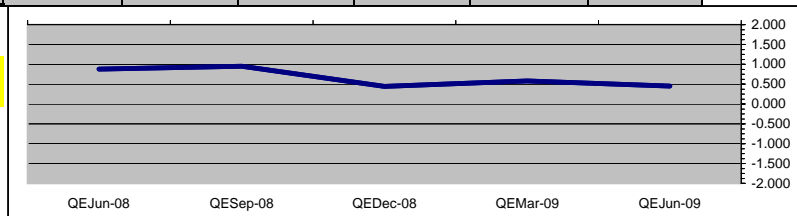
Quarterly period ending:

QEJun-08 QESep-08 QEDec-08 QEMar-09 **QEJun-09**

MR Dual Cash-Flow Figure	0.882	0.952	0.442	0.582	0.451
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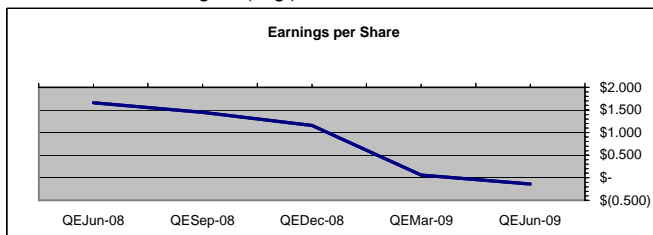
Merriam Report Signals:

Recent Bearish
Confirmed Bearish
Recent Bullish
Confirmed Bullish



MR Dual Cash-Flow Figure (avg.)

0.662



Accrual Ratios
Average Accruals

QEJun-08	QESep-08	QEDec-08	QEMar-09	QEJun-09
10.86%	11.00%	7.80%	-1.35%	2.89%
6.24%				

Revenue Metrics (as % of Sales)

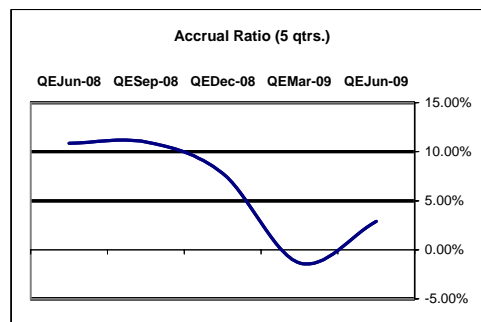
Research & Development
Cost of Sales
S/G/A
Payables

Recent Qtr.	Combined Avg.
#VALUE!	#DIV/0!
89.41%	81.53%
9.07%	6.49%
65.63%	54.75%

Capital Productivity

Inventory / Revenues
Receivables / Revenues
Inventory & Receivables / Revenues
P,P&E / Revenues

Recent Qtr.	Combined Avg.
\$ 0.976	\$ 0.832
\$ 0.561	\$ 0.519
\$ 1.537	\$ 1.351
\$ 2.52	\$ 1.47



Accrual Ratios: According to the MR model, a ratio of -5 or less is very bullish and a ratio of +5 or more is very bearish. ATI's most recent ratio of +2.89 is lower than the average for all periods, but we assign a BEARISH rating as it remains above 0.

Summary of Merriam Report Signals

Dual Cash-Flow Figures

Confirmed Bearish / Recent Bearish

Operating Cash-Flow Trend

Bearish

	QJun-08	QSep-08	QDec-08	QMar-09	QJun-09
OCF	1704.1	1783.6	1532.0	1566.2	1625.5
BSCF	415.1	457.4	1040.6	1082.5	1305.5

Balance Sheet Cash-Flow Trend

Bearish

Comparison of Recent Quarter Changes to Average

EPS

Bearish

Revenues

Bullish

Accounts Receivable

Bearish

Days Sales Outstanding

Bearish

Inventory

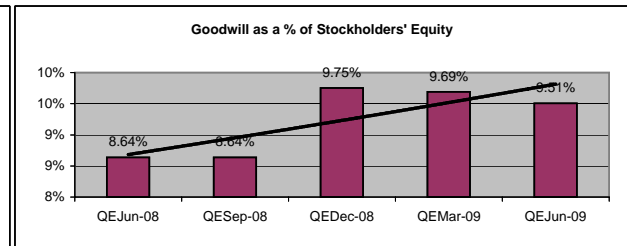
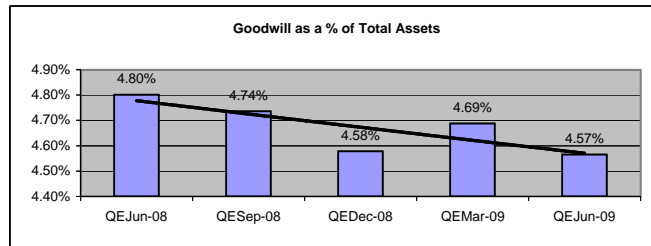
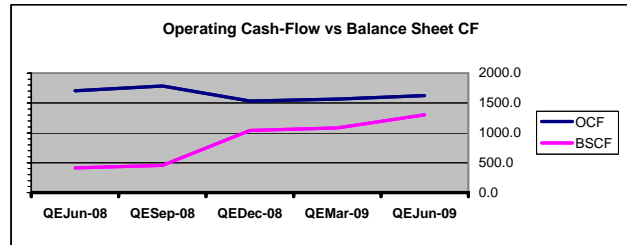
Bearish

Accounts Payable

Bearish

Accrual Ratios

Bearish



Summary : Allegheny Technologies Inc. (ATI)

Last month's announced (foundering) deal with Rolls Royce added some juice to ATI's stock price, but the financial statements indicate it will take more than news to keep ATI aloft.

Between now and the "good news" lies an extremely difficult business environment in our view. ATI's June 2009 revenues were half of last year's sales and balance-sheet cash-flow has been steadily narrowing the gap; in hot-pursuit of overcoming operating cash-flow.

The two greatest threats to cash-flow is in Days-sales-Outstanding and Inventory as a % of sales. For each, June's numbers are highest of the five periods reviewed and well above the average.

In addition, we notice a steady increase in P,P&E, which when combined with the receivable's and inventory issues, indicates the company is not realizing a return on these assets.

Revenue metrics and capital productivity have deteriorated in the latest period and the use of accrual accounting has signaled a bearish trend.

There is nothing to suggest management is massaging numbers, but it's clear business hasn't been good lately. On a positive note, we are encouraged by the exponential decline in Goodwill as a % of total assets, but this is offset by an exponential increase in Goodwill as a % of stockholder equity.

Investment Opinion: AVOID / POSSIBLE SHORT

We can't help but think of FIFO (first-in-first-out) when it comes to inventory, but any company planning to ramp-up for a new order flow, would likely have a better handle on receivables going into a building of inventory (raw materials). Also, we would expect a possible stretch in accounts payable as a means to preserve cash in anticipation of increased production. So, the big question is, what terms did Rolls make with ATI and to whose benefit?

Based on the Merriam Report data, it's difficult to make a case for owning the stock; especially at current levels. While business will likely pick-up eventually, we could argue that fair value is closer to \$25 than \$35. That said, we would not be buying here and would also characterize ATI as a potential short candidate over \$35.

Even the bonds look overvalued, but if you like the company's chances longer-term, you might look at the DEBs due 2025. The have traded recently at the \$94 area w/ a yield of approx. 7.5%. We would be more inclined to sniff more seriously on a pull-back to the mid-80's. Or, consider taking a look at at some of the October / November puts with large open interest.

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Disclosure of holdings: None

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