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Trinity Industries, Inc. Q2 2008 Earnings Call

Question-and-Answer Session

[Operator Instructions]. Our first question comes from John Barnes with BB&T Capital Markets. Your line is now open.

John Barnes - BB&T Capital Markets

Hi, thanks. Good morning guys. Bill last quarter you provided us a little bit of a margin outlook and I apologize if I missed it. I got pulled into another call briefly, market outlook for the balance of the year in the rail sector. Can you just talk through what you are anticipating and how much of that is an issue with raw material cost versus how much of is a mix issue?

William McWhirter - Chief Financial Officer and Senior Vice President

Yes, we gave two sets of guidance John for rail margins, 6% to 8% in the third quarter and 3% to 5% in the fourth quarter. I have stated that's the combination of really three events kind of the deferred pricing environment, the mix of cars to be produced and raw materials price increases that we anticipate running to the system. I don't think we are comfortable of saying one is a third and one is a fourth etcetera, so when put it all of those together and that's the guidance that rose up to the annual guidance for the company.

John Barnes - BB&T Capital Markets

Okay. Do you recall the guidance you gave on margins for the second quarter?

William McWhirter - Chief Financial Officer and Senior Vice President

Yes, with the second quarter I said that it would be between 6% and 9% for the rest of the year. So, 6% and 9% for the rest of the year and this breaks it down to a little more refined giving you both quarters.

John Barnes - BB&T Capital Markets

Okay, fine, very good. I appreciate that. Sorry, I missed that in your prepared comments. One think, even if we look at some margin degradation in the second quarter with your whole business in your third quarter versus the second quarter. I am getting a kind of consolidated operating margin maybe 15.5% or little bit higher. I know you are up against the tough comp in the third quarter from a year ago, where we had 25% revenue growth, but even if I modeled low single-digit revenue growth with kind of still a mid-teens margin in your tax rate. I am coming up with something that's still in excess of your third quarter guidance.

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