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## Owens Corning Q2 2008 Earnings Call

### Question-and-Answer Session

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[Operator Instructions]. And the first question comes from the line Ivy Zelman from Zelman Associates. Please proceed.

**Ivy Zelman - Zelman & Associates**

Good morning, guys.

**Michael H. Thaman - Chairman and Chief Executive Officer**

Good morning, Ivy.

**Ivy Zelman - Zelman & Associates**

Very impressive results in this marketplace and definitely I'm sure you are happy. One of the things that I wanted to focus into on is the concern we have about the non-res slowing and kind of your thoughts on the impact that will have on your business over the next 12 to 18 months, and may be ways to mitigate the expectation of that slowing?

And then just secondly your EBIT margins were up like in the first half at 10.2 for composites realizing on the seasonality involved. If you can kind of give us an expectation is that sustainable into the second half and what your expectation specifically is for that business segment?

**Michael H. Thaman - Chairman and Chief Executive Officer**

Okay. Well, first of all, thanks for your kind words. We are very happy with the quarter. And saw a lot of progress in the things that we had our eye on and trying to progress. So, it's nice to be recognized for that. Regarding the non-res particularly as it relates to insulation, we don't do much in terms of non-res on the roofing side or another building materials and services. So that will be primarily an insulation exposure.

Our business plans are built, believing that we will begin to see some slowdown on the commercial and industrial side of the business. So, that's a pretty good segment for us and is relatively stable. And we are making reasonable profits here today. So, we don't think it will slowdown dramatically. This is similar to what we've seen in res. I mean, we've res come off almost 60% from its peak. But we are prepared for the slowdown. So, our guidance that says we will continue to make money this year I think incorporates our belief that we still will see some additional slowdown in commercial and industrial this year.

On the composite side, I think Duncan's comments, he talked a bit about we do expect that media margins will weaken a little bit in the third quarter. Obviously, the business is so much more non-US

today than it ever has been historically. So this is a little bit different seasonality pattern for our composites business than you get from looking at historical numbers. But with our significant exposure to Europe in particular, and Europe typically being fairly weak, particularly in August, we will expect to see composites be a bit weaker related to the market in the third quarter. And then we will also expect because of some of the things we are doing in capital programs that will have a couple of a very important low cost facility going for capital programs and things which are just timing issues, that will come back up, lower costs and better facilities when we are done.

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