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## SPX Corp. Q2 2008 Earnings Call

### Question-and-Answer Session

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The question-and-answer session will be conducted electronically. [Operator Instructions]. And our first question from Jeff Sprague with Citi investment.

**Jeffrey Sprague - Citigroup**

Thanks good morning everyone.

**Christopher J. Kearney - Chairman, President and Chief Executive Officer**

Hi, good morning Jeff.

**Jeffrey Sprague - Citigroup**

Quite impressive. Just a couple of questions, first on raw material obviously judging by the margin you are doing a great job staying ahead of the curve but you did call out a little bit as friction point. I am just wondering on the roll forward if you can give us some thoughts of where you stand and I guess most particularly you know Chris here mentioned a lot of these projects are now multi-year in nature and what you are doing or what you have been able to, to kind of protect yourselves there in those out years is you actually deliver on this big projects.

**Patrick J. O'Leary - Executive Vice President and Chief Financial Officer**

Sure. Well consistent with our recent experience Jeff, in Q2, we again we were able to offset inflation and commodity cost throughout all four segments. And our efforts in managing our supply chain and the discipline in structuring contracts continued to help us offset inflation and we expect that discipline in our process will continue going forward.

Having said that continued inflation does remain a key risk as we as people or consistently the earnings estimates for the year, particularly in our short cycle flow business. In our Oriental raw material spend is about 60% of our total cost of sales. And our largest raw material spend annually is on steel. Copper is our second largest raw material spend in terms of total annual spend, but, we are pleased with how we handled it thus far this year which is consistent with the improvement we seen in our each of the last three years. And I think that focus, that discipline, that organization has begun to mature, it's going to help us as we go forward in time.

**Patrick J. O'Leary - Executive Vice President and Chief Financial Officer**

And the proper [ph] technique that we're using for these longer-term contracts and obviously in particular some fixed price contract is... cash payments from the customers, that we're passing on to the vendor network, and passing on those cash flows enable us to hold the line with the vendors to

the extent possible, but in other parts of the business, we are being surcharged by the vendors with some of the raw materials, from that you can tell from the margins, we're passing those on directly to customers.

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