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Simpson Manufacturing, Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). Our first question comes from Arnie Ursaner of CJS Securities.

Barclay Simpson

How are you Arnie?

Arnie Ursaner - CJS Securities

Barc, how are you? Good morning.

Barclay Simpson

Good.

Arnie Ursaner - CJS Securities

The first question I have is, you indicated in your press release that you changed your compensation method a little bit of a shift away from the cash profit sharing to more salaried levels. And I guess, I'm trying to understand the accounting treatment of that, because, if I were to add that back into gross profit, your gross margin would have been well north of 40%. Mike, can you perhaps help us on the accounting treatment of that?

Mike Herbert

There's really no difference in the accounting treatment. The person's salary and bonus is reflected in the appropriate category, and so you cannot-- there's nothing to consider there.

Arnie Ursaner - CJS Securities

Well, do you have it in SG&A, for example, because these seem to be more operating expenses for the manufacturing?

Mike Herbert

I guess a good way to explain it is, if a person was making \$80,000 and they now currently make \$100,000, that \$5,000 per quarter used to be part of CPS, cash profit sharing. That cash profit sharing also was reflected in admin. So, there's no difference.

Arnie Ursaner - CJS Securities

Okay. My second question, if I can, is on -- Barc, I know you've had a lot of industrial initiatives to try to offset the weakness in U.S. housing. Could you update us on, perhaps, some of the successes you're having in the industrial area?

Barclay Simpson

No. Unfortunately, I don't have late information on that. But I do know we've been making progress. Now, exactly where and how I'm not sure. I'm sorry, Arnie. I will attempt to get some stuff together on that.

Arnie Ursaner - CJS Securities

That would be great. The final question I have is on the two small acquisitions you've made. I know they're more strategically important than the numbers would indicate, but can you give us a feel for what goals would have to be met to achieve the earn-outs in both of those?

Barclay Simpson

Well, our goal is always that, within a year or, at the absolute most, two years that any acquisition contributes to our profits and also is making a good return on our investment.

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