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Arch Chemicals, Inc. Q1 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) Our first question comes from Ian Zaffino with Oppenheimer.

Ian Zaffino – Oppenheimer & Co.

Hi, good morning. Very good quarter and good guidance. A couple questions here. As far as the exposure to wood protection to the U.S. residential market, can you give us an idea of how much that is and how much that declined?

Michael Campbell

I have seen all sorts of estimates. We are estimating that the housing market as an industry was down – impacting us was down about 20%. What offset that a little and what will offset it going forward is we have the old CCA business, which is used for industrial applications. And there is keyed up for the remainder of the year some good infrastructure spending that we will use this industrially treated wood. And so that will help offset – to a certain extent offset the housing market deflate. But as I said in the prepared remarks, we are assuming that the housing market remains – I don't know whether tepid is too light a word for what we are seeing in the housing market, but we are assuming that there is no recovery of the housing market in 2008. And I am not brave enough to even try to begin to say whether there will be a recovery in 2009.

Ian Zaffino – Oppenheimer & Co.

And aren't you guys actually assuming some type of – or shouldn't you be seeing some type of easy weather comp comparable from the flooding of last year?

Michael Campbell

Yes, we should, but you have got to understand that the comparables for wood protection, particularly in the residential area, become easier in the third and fourth quarter versus the second quarter even. May I just mention a couple of other factors that you have to take into consideration, although a large part of our business is in North America, particularly with our acquisition last year, almost half of our business is outside of North America. We have been seeing to date strong performance in Europe. Now that might lesson as the housing crisis starts impacting Europe to a greater extent. But so far, we've seen very good performance in Europe and in our acquisition has done better than our acquisition economics in terms of sales and profitability. And so that has helped us. So the fact that we are now a global business helps offset some of the impact in the US housing market. And it is an

important consideration in looking at this business because the profile is different today than when we sat here a year ago.

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