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Trinity Industries, Inc. Q1 2008 Earnings Call Transcript

Question-and-Answer Session

[Operator Instructions]. We'll take our first question from John Barnes, BB&T Capital Markets. Please go ahead.

John Barnes - BB&T Capital Markets

Hi, guys. Good morning. First, on your raw material cost, can you talk a little bit about what kind of increase you have seen in steel prices and... maybe through the quarter and where it's today? And then, can you also elaborate a little bit as to what percentage of your total business? and I'm talking railcar, wind tower, construction products, you name it, anything that require steel, what percentage of your business or your contracts or backlog is covered by raw material escalators?

William A. McWhirter II - Senior Vice President and Chief Financial Officer

John, Bill McWhirter. Good question. Obviously, in my script today we covered what we call cost coverage, which is the escalation of the firm purchase order contracts and the use of raw materials. We are not going to dive into the details of what percent of contracts have any one of those particular types of coverage. As I stated, it is included in our guidance, our expectation of the likely outcome just from a spot basis of where steel is today. And steel today has risen from? anywhere from the \$700, \$800 upwards to close to a \$1000 a ton, just to give you kind of magnitude of steel pricing.

John Barnes - BB&T Capital Markets

Okay. And how much steel are you actually buying on spot or how much... how far out do you commit to buying under contract, given? you have got some pretty decent visibility in your business with the backlog, so far out are you going ahead and committing to lock in better rates in the... not be as exposed to kind of the spot rates?

William A. McWhirter II - Senior Vice President and Chief Financial Officer

Yes. John again, all of our products are different. Clearly, the bigger the products, the more likely they are to have long-term contracts associated with them. We do use a variety of the steel distribution system for a lot of different reasons, in some cases we're buying parts that are already [inaudible] to that extent. So again, we're not going to go into the details other than to tell you that it is included in our guidance for the full-year.

John Barnes - BB&T Capital Markets

Okay. There seems to be kind of? some M&A activity kind of heating up. I mean, there is a couple of larger lease fleets out there that books are out on in other services type businesses. Can you talk

a little bit about your appetite for any acquisitions? And also from a lease fleet perspective being for sale, does that give you any kind of? does it put up any kind of roadblock in terms of more railcar orders in the near-term, just from the perspective that a lease fleet being sold is less likely to buy or is that adding to what's already kind of a weaker railcar market or does that have any impact at all?

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