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Accuride Corporation Q4 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions)

And your first question comes from the line of Peter Nesvold with Bear Stearns. Please proceed.

Ryan Brickman - Bear Stearns

Hi, this is [Ryan Brickman] for Peter Nesvold.

David Armstrong

Hi, Ryan.

Ryan Brickman - Bear Stearns

Can you talk a little bit about progression of cash flow throughout the year?

John Murphy

Of 2007?

Ryan Brickman - Bear Stearns

Yes. And into '08, if you can?

David Armstrong

Well, we can certainly talk about 2007. If you look back on our other calls, most of the cash flow occurred in the fourth quarter, which is not uncommon. Fourth quarter is typically a large cash flow quarter for us. As far as looking forward into 2008, for as long as I can remember, the first quarter has always been a use of cash, because of bond payments, bonus payments, pension, etc., etc. I would anticipate that will be the same. And then, we'll increase throughout the year with again a larger piece coming at the end of the year.

Ryan Brickman - Bear Stearns

Okay. Thanks. And you're guiding for 2008 North America Class 8 builds of [1.9 to 2.25] and ACT, I think, right now is at about [2.24] and you discussed some of the reasoning behind it. But given the

last couple of months, what are your thoughts as to there being a potential upside to your estimates today in terms of Class 8 builds in North America?

John Murphy

Yes. That's a tough one to call, just because of the, I think, the volatility associated with the estimation of the general economy, Ryan. I think, what we'd have to look for to see that substance to upgrade those forecasts would be a continued upward order trend. I mentioned that we've seen four months of fairly solid orders. I think, we would need to see some sustainability of that and some of the other fundamentals continuing to improve, such as freight and so forth.

Ryan Brickman - Bear Stearns

Okay. Thanks. And if we were to see some of those developments and there were to be some upside in Class 8, does that drive cash flow higher? Or is that lost more to say a working capital build?

John Murphy

No, it definitely -- although we invest, let's just say, 10% of a sales increase, roughly, in working capital, yes, it would have a very beneficial effect if we were able to raise that. Although, there would be some investment there as well.

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