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AAON Q3 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

Yes, sir. Are you ready for questions?

Norman Asbjornson

Yes, I am.

Operator

Thank you. (Operator Instructions)

And we'll take our first question from Frank Magdlen with The Robbins Group. Please go ahead, sir.

Frank Magdlen - The Robbins Group

Good afternoon, Norm.

Norman Asbjornson

Hi, Frank. How are you?

Frank Magdlen - The Robbins Group

Good.

Norman Asbjornson

Good.

Frank Magdlen - The Robbins Group

And I guess I'm more encouraged from your talking about the order rate. But could you help quantify a little bit where the backlog stands now or, say, at the end of the quarter?

Norman Asbjornson

I sure can. One moment. Backlog at the end of the quarter was \$55.4 million.

Frank Magdlen - The Robbins Group

All right. And what you do think you could reasonably ship in the fourth quarter? And I say that because you brought your workforce down a little bit and now you've ramped it back up a bit. And if I've heard you right, you would have shipped about \$73 million or \$74 million in the quarter. But you missed by about \$3 million or \$4 million missed sales or missed shipments, because you just didn't have the labor to put it through the factories. Is that correct?

Norman Asbjornson

That is pretty much correct and we were a little hesitant. We didn't want to throw a lot of overtime on it because that July scared us. And so, we were starting to ramp it back up, but more on standard, regular time and throwing a lot of overtime out. So we could put overtime into the equation if we get that to thinking that this continuation of the order input goes up that will happen.

Frank Magdlen - The Robbins Group

Okay. And then what is your CapEx for '08?

Norman Asbjornson

It's going to be approximately where it is this year, and we've told you all along about \$10 million and right now we are at \$8.7 million roughly. Depending upon the arrival of the couple of pieces of equipment for our coil facility, we will be in the \$10 million range plus or minus a little bit perhaps this year. And next year, I don't see us exceeding that.

Frank Magdlen - The Robbins Group

Okay. I'll jump in queue, and then I'll come back with some more.

Norman Asbjornson

The net result, to answer you a little bit further, Frank, that's roughly what our depreciation is. So on a cash flow basis, the depreciation and the CapEx are going to be about the same area. And so, profitability will go toward paying dividends plus buying back stock. And the dividends are somewhere in the \$6 million area and the profitability is going to be over \$20 million. So we're going to have some excess money around.

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