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Walter Industries, Inc. Business Update Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Our first question comes from James Rollyson - Raymond James.

James Rollyson - Raymond James

George, just going back to where you were talking about I think what you're saying is you're making up the tons in the first quarter. Does that imply that your volumes for next year will probably be a little bit higher than you originally guided?

George R. Richmond

The Southwest A panel has close to a million tons in it. We're not going to get it all this year so the tonnage will be higher than we originally planned in the first quarter. However we're at that time of year when we're going through the full business plan and studying it and we'll be coming out with our expectations. But clearly the first quarter will be stronger than we'd planned.

James Rollyson - Raymond James

Could you just characterize how you're feeling about, I know you guys don't like to get specific and that's fine, but maybe characterize how you're feeling about the strength in the met market today versus what you were thinking a month or two ago given the change in apparently the opinion of Wall Street then?

George R. Richmond

There's obviously been some weakening in steel demand in certain areas; I think the US and we've seen some in Eastern Europe. However some other markets particularly Japan and South America continue to go strong. I think it probably is a little early to start talking about next year's price. However I will say this. There are quite a few reports out there which you pick up like everybody else which is starting to indicate some US settlements that appear to be extremely strong in pricing. Our demand has not slipped. We continue to be under pressure to supply boats, and we're still very, very bullish on the high quality coal controls next year.

James Rollyson - Raymond James

You expanded your buy-back program to \$50 million. When you guys are hitting the pretty significant ramp in free cash flow, do you suspect if your share price is still here that would expand further perhaps?

Victor P. Patrick

We will keep looking at that Jim. The \$50 million is actually tied back to our revolving credit agreement. It's the maximum available purchase that we can do without an amendment to our revolver during this calendar year. That basket will open up further next year so we'll certainly be looking at that as we go along. If we update it, we'll let you know as we just did yesterday.

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