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## Baldor Electric Co. Q3 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator Instructions). We'll go first to Steve Sanders, Stephens Inc.

#### Steve Sanders - Stephens Inc.

Good morning.

#### John McFarland

Good morning, Steve.

#### Ron Tucker

Good morning, Steve.

#### Steve Sanders - Stephens Inc.

Thanks for the additional color on the balance sheet and some of the things you guys are doing to prepare for tougher times. John, I just want to revisit the comments on the order rate. So, September and October for OEMs remain fairly stable, distributors got soft and the guidance for the fourth quarter would anticipate that those order rates are relatively flat over the next couple of months. Is that fair?

#### John McFarland

Yes. Yes, we just looked at it this morning, went back to the first of August up until today and looked at the OEM and distributor rate separately, incoming order rate separately. And there has been virtually no change in the incoming order rates on OEMs.

And what we're hearing from OEMs are that their schedules are solid in the near term. We have had a few say that their backlog has decreased a little bit, but we haven't seen any of that in our order rates. They've been very consistent since the 1st of August.

The distributor side of the business, though, did change. July was a good month. And then in August, distributors did back their purchases down. On the one hand, you'd say, well, that's kind of a sign that things might get bad. But on the other hand, Baldor has the largest inventory of industrial motors in the industry.

And so, as distributors begin to reduce their inventories, they start to rely on us more for motors from inventory and we've done a good job of rebuilding our inventories on motors in particular and we

have good inventories at DODGE as well and so if the distributors are going to operate without less inventory, they can rely on us to have the motors and stock and the DODGE products and stock they need.

**Steve Sanders - Stephens Inc.**

Okay. Okay, thanks. And then Asia sales in the quarter were relatively flat. I guess currency may have played a role there, but the orders were strong. Can you just comment on what you saw for the quarter specifically in China and why it was flat in the quarter and against good order rates?

**John McFarland**

Yes, the order rates in China. I was just looking for the exact amount of increase, I don't know that I have it in here, but the booking rates in China, incoming order rates in China were very strong double digits. It is just the shipments that were about even with last year. And the shipments may have been impacted by the currency and I don't know by how much, but it was just a flat quarter for shipments.

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