

The logo for Seeking Alpha, with the text 'Seeking Alpha' in white and a gold Greek letter alpha symbol to the right, all on a dark red background.

Crane Co. Q3 2008 Earnings Conference Call Transcript

Question-and-Answer Session

Thank you sir. [Operator Instructions]. Our first question comes from Deane Dray with Goldman Sachs.

Deane Dray - Goldman Sachs

Thank you, good morning. Can we start in Fluid Handling, Eric? And maybe you can step through for us the drivers behind the shortfall. What we saw was a core revenue decline of only 1%, but seeing the profit down \$12 million, so it seems a little puzzling at why you would see such a margin hit. So if you could size for us SG&A, what the like factor was a hurricane and maybe the shipment delays if you could?

Eric C. Fast - President and Chief Executive Officer

The way I would characterize it, Dean, is that price versus material was about roughly \$5 million of decline. Foreign exchange was \$2 million or \$3 million of the decline. Delayed shipments, if you tick the \$10 million with another \$2 million or \$3 million of the decline. It's in... it's all on that order of magnitude. I would point out that the delayed shipments for the most part really weren't our fault. It was we had late delivery from some suppliers, and we had some customers postpone orders.

Deane Dray - Goldman Sachs

And those shipments will go in the fourth quarter?

Eric C. Fast - President and Chief Executive Officer

Most of that will go in the fourth quarter.

Deane Dray - Goldman Sachs

And then broadly, in terms of your order book, did you see any major cancellations during the course of the quarter?

Eric C. Fast - President and Chief Executive Officer

We didn't see major cancellations on significant projects. What we saw was the slow down in our short cycle, more commercial valve and pump business, certainly more than we anticipated.

Deane Dray - Goldman Sachs

And then how you're feeling today about Fluid margins? I mean it was a lot of discussion earlier in the year, how they had been a step function to go from the 12% range up to 15%. And do you still feel this all 15% is a normalized run rate or do you think that back at 12% seems to be more appropriate given the current market outlook?

Eric C. Fast - President and Chief Executive Officer

I feel very strongly that the 15% is the right goal. We made it clear when we had the first half of the year that we didn't expect margins to be at that level in the first half of the year that I think I characterize it on the second quarter call that everything just kind a hit perfectly. And as I said I my prepared remarks, I mean, we are on track to exceed our guidance in Fluid Handling. And it's steady as she goes here in terms of the plans and prospects that we have. And I think we continue to execute on a very positive and sound way there.

Copyright © 2008 CNET Networks, Inc. All Rights Reserved.