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## SPX Corp. Q3 2008 Earnings Conference Call Transcript

### Question-and-Answer Session

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Thank you. [Operator Instructions] And we will take our first question from Shannon O'Callahan with Barclays Capital.

**Shannon O'Callahan - Barclays Capital**

Good morning, guys.

**Christopher J. Kearney - Chairman of the Board, President, Chief Executive Officer**

Hey, Shannon, good morning

**Shannon O'Callahan - Barclays Capital**

Just, I guess first question on thermal, I mean, you're talking about the project timing lumpiness there. I mean, that's been an ongoing thing forever with that business, but just given the environment, your 4Q guidance would seem to imply that that's just normal course of business lumpiness, is that the case or are you seeing any unusual things related to the economic conditions.

**Christopher J. Kearney - Chairman of the Board, President, Chief Executive Officer**

No, I think you stated it correctly, Shannon. I think what we've seen in Q4 is normal and consistent with what we've seen and what we've talked about over past quarters. The important think to remember is that we have ... we focused on contract construction, better project execution in this base business. And have been focused on consistent margin improvement, which you've seen pretty consistently going back, probably to the middle of last year. And, pleased and consistent with what we've seen in the past I think would be my takeaway.

**Christopher J. Kearney - Chairman of the Board, President, Chief Executive Officer**

Shannon and ... I mean it's going to continue to be lumpy. We do take profit payments on these large contracts. Typically, the upfront tax payments are in the 5% to 15% range, and we obviously take progress payment through them. So, the projects that we put in backlog typically are committed and funded, and customers obviously ... how they are going to produce the cash flow, and as I mentioned, we take the upfront cash deposits.

**Shannon O'Callahan - Barclays Capital**

Okay, great. And then on the transformers, can you just push that out a little bit in terms of the softening orders, what were they like year-over-year? What were they like sequentially? And how ...

maybe also a little bit on just how you see that business tracking in environment where we have been, your reliability standards out there?

**Christopher J. Kearney - Chairman of the Board, President, Chief Executive Officer**

Yes, sure, Shannon. First of all, the transformer orders for the quarter what were up slightly versus Q3 last year. However, they were down about 15% from Q2. As I said in my comments, and Patrick, if you went through segment, the settlement underlined the recent behavior by our U.S. based power transformer customers that appears to be driven in the short term by some uncertainty regarding availability of capital in the current economic environment.

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