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## Walter Industries, Inc. Q3 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

Thank you. (Operator Instructions). Your first question today comes from James Rollyson – Raymond James.

#### James Rollyson – Raymond James

George, you talked a little bit about costs and kind of why they were up this quarter, obviously part of that was the lack of volume versus maybe going where it's supposed to be going. As you jump into the fourth quarter and looking ahead to next year when you get up into this 2 to 2.1 million ton per quarter range where do you expect that kind of cost to trend back to?

And I think this year you were kind of talking production costs expectations around the high 40s to low \$50 range. Thoughts on where that stands today and looking into '09?

#### George Richmond

Yes, Jim, we've had some increases. We've just had a recent I think 15% power increase going into next year. We've also acquired a lot of increase in steel prices and diesel but some of those are moderating. We're starting to see them down so as we put it all together we then conclude number for the fourth quarter and next year right now is 50 to 55 range on cost.

#### James Rollyson – Raymond James

And any, the spread between sales costs and production costs kind of bounce around from quarter to quarter any thoughts on how that looks? Transportation is obviously a big part of that, but just kind of what you're thinking right now there?

#### George Richmond

We've give the margins obviously on what we think the sales is going to be and I just give the, what I expect the selling price to be for the first and second quarter. Obviously there's still some unpriced tons, but there's not a significant difference in the transportation; there's small adjustments for – it's not material. Obviously royalties do change as we go into these higher price sales. It's a percentage of selling price. So I do expect the higher the prices the greater the royalties. I think this year royalties is around 6% and next year we're expecting it to be in the 7.5% to 8% range.

#### James Rollyson – Raymond James

Okay that's helpful and just last question for me. You guys obviously are setup to generate some pretty strong cash fourth quarter and going into next year and I know we've asked this before but given the way the market looks today and how things have changed kind of what you guys thinking in terms of uses of free cash now and has that changed at all from where it might have been three or six months ago?

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