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American Commercial Lines Inc. Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) Your first question comes from the line of Ken Hoexter with Merrill Lynch. Please proceed.

Ken Hoexter – Merrill Lynch

Great. Good morning. Mike, can you just talk further on the concept of the refinancing? I'm just wondering, you noted that the value is still similar to the \$1 billion back in August, but since August, we've obviously had a lot of activity with the September volume drop off with the hurricanes, with scrap steel dropping really quite significantly, the credit crunch, it is kind of hard to believe that the value of the fleet hasn't changed. And then kind of follow-up to the question is also just can you give us a progress on how the discussions are going with the banks on the refinance, because it's such a major near-term mission?

Mike Ryan

Yes, Ken, I am going to let Tom comment on that. He is into the intimate details on that, and that's a great question, an opportunity for him to expand on.

Tom Pilholski

Ken, regarding the question on the valuation of the fleet. We published a number saying that the fleet value; and that was only the fleet – was in excess of a \$1 billion based on an independent appraisal performed related to the financing we were pursuing – or are pursuing. We spoke to the appraisal firm nearing completion of the appraisal and based on our recent discussion, we do not see that valuation number changing in any meaningful way. And one key issue really is you mentioned the scrap steel prices. The valuation of the fleet is not based on scrap steel prices, which have decreased significantly. It's more based on a replacement cost factor. And the replacement cost of the fleet is geared towards plate and structural steel, which has not nearly decreased anywhere near scrap steel prices. From the peak, the type of steel that goes into the barges maybe up 20%, not the much more dramatic declines we've seen in the scrap steel prices.

And just over the general concept of question regarding the financing. Obviously, this is a key area of focus for us. And we are mindful of the time frame of the current credit facility. We have been evaluating all of our options as well as the appropriate timing given the current market dynamics and the cost of capital in today's market. And as we said in our last call, our objective is to develop a capital structure that utilizes this significant asset base as well as our improved financial performance

to provide the appropriate longer term resources needed to execute our strategy. We are focused on the strategies that we discussed, and I don't want to comment on the specific packets on the timing, but we are comfortable with where we are.

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