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Coleman Cable, Inc. Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. The question-and-answer session will be conducted electronically today. (Operator instructions) And we'll pause for just a moment to assemble the roster. And we'll take our first question from Matt McCall from BB&T Capital Markets.

Matt McCall – BB&T Capital Markets

Hi, Rich. Good morning, everybody.

Gary Yetman

Hi, Matt.

Rich Burger

Good morning, Matt.

Matt McCall – BB&T Capital Markets

First, Gary, on the expectations of the lost sales and the OEM business, can you tell us a little bit about what that's going to mean for – it sounds like you've made – you've taken some steps on the volume or the manufacturing front already. First, I guess was that profit or is any of that profitable business that's going away? Is it just, I guess, less than optimal or is it unprofitable? And then, what will that mean for your margins as we look into '09?

Gary Yetman

About, Matt, half the business was very marginally profitable. And the other half of the business was actually non-profitable. So as we consolidate into the loans facility and take out associated overhead with it, we would expect our profitability in that business to significantly improve in the first quarter of next year.

Matt McCall – BB&T Capital Markets

I'm sorry, you said 50%. What's that 50% a total of? Did you give the total number of expected pressure?

Gary Yetman

Yes. The total volume will be some place between \$75 million and \$100 million.

Matt McCall – BB&T Capital Markets

Right. Okay. And then, is there any assumption in the Q4 guidance that any of that goes away? Is this more of an '09 occurrence?

Gary Yetman

It's an '09. It will take all of the fourth quarter before we in lined a couple of the customers.

Matt McCall – BB&T Capital Markets

Okay. And then, Rich, a question on inventory, I think part of the comment on inventory was the price of copper. And part of it sounded like it was just bringing down your inventory levels. Can you break out the two? How much was – how much of the inventory reduction was because copper is moving lower? And how much of it is because you guys are trying to work through some inventory? And what are your expectations as far as – outside the copper, what inventory you can recall just from controlling it better as we move through a tough time?

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