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Accuride Corp Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Kirk Luedtke - CRT Capital Group.

Kirk Luedtke - CRT Capital Group

You mentioned in the press release and in the slides a couple times, material costs, but I don't see them quantified anywhere and I was wondering if you could give us the year-over-year change in material costs for the third quarter before and after recoveries?

David Armstrong

Sure. In the third quarter we had raw material costs of approximately \$20 million increase and we had recovery of about \$18.8 million, so \$1.2 million negative.

Kirk Luedtke - CRT Capital Group

Negative impact?

David Armstrong

That's correct.

Kirk Luedtke - CRT Capital Group

I guess from the slides, I got the impression that it was a positive impact year-over-year. So, the increases in gross margin year-over-year of \$5.4 million in materials are actually a negative.

David Armstrong

Yes, impacted in that is a negative \$1.2 million.

Kirk Luedtke - CRT Capital Group

Okay. So maybe you could expand on why components did as well as it did in the quarter?

David Armstrong

I think part of it is because of how poorly they did in the third quarter of 2007 and if you remember; I'm not sure if you were following us back then, but if you remember back in that time period, there was a lot of uncertainty among OEs in your order boards and we were receiving significant changes with

very little notice and especially in a couple of the foundry businesses we had; we did not respond very quickly to some of the changes and there were some significant performance issues that occurred in that quarter, so that's part of it.

The other part of it is that we have significantly improved performance in both Brillion and Gunite since last year, based on a number of changes that have been made that we've been implementing throughout this year.

Kirk Luedtke - CRT Capital Group

Okay, back to the materials for a second, what are you assuming in your full year guidance for materials, both with and without the recoveries?

David Armstrong

Currently the net on a full year basis will be about a negative 2 or 3, with recovery of that in 2009. That goes back to our lag issues, with what we have in our contract, but that is what we currently anticipate.

Kirk Luedtke - CRT Capital Group

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