

The logo for Seeking Alpha, with the text 'Seeking Alpha' in white and a gold Greek letter alpha symbol to the right, all on a dark red background.

Cascade Corp. Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Arnold Ursaner – CJS Securities.

Arnold Ursaner – CJS Securities

You're clearly looking at an unprecedented decline in order trends and bookings and industry data, but I'm surprised at the magnitude of the possibly down 30% in sales for 2010. Can you walk us through the geographic sense of where that could come from? How much of that is from North America? How much of that is from Europe? And do you envision China staying soft the way it is right now despite their massive program?

Robert Warren

It appears it's almost global in nature. Starting in August we saw a global lift truck order rate as opposed to the shipping rate drop precipitously on the basis of sometimes 30%, 40% and that was pretty much across the board about the same. Europe, North America, Asia, some of the Australian seem to be lagging a little bit, but China appears to have hit their first real recession and precipitously I don't know that one of our Board Members, Nick Lardy, said they have never seen something as quick as this shrinking of their current economy.

There seems to be a fairly close relationship. We're looking in the fourth quarter and that's the reason you're hearing a lot stronger heads up of our fourth quarter. We're seeing a very close relationship to our own revenue which normally would lag or be a lot softer than the truck bookings numbers.

Arnold Ursaner – CJS Securities

I'm trying to figure out a way to think about your gross margin. Obviously you've put in price increases, you speak about some improvement in your raw material costs more in the middle part of next year, but it also sounds like you're going to have an extraordinarily hard time in covering fixed cost absorption on your plants. Is the way you're thinking about gross margin several hundred basis points of decline next year given all of these various factors or is that a little steeper?

Robert Warren

I think it's very possible we could see 200 to 300 basis points. It's going to take us awhile. There are levels we can go to. A lot of our plants have gone to four and three day work weeks to try to match the order rates that are coming in. Those aren't sustainable over a longer period of time and I'll try to

figure out what that future depth of these markets order rates are going to be and what level do you go to in your own staffing and capital. At what point does it threaten whole plants?

Copyright © 2008 CNET Networks, Inc. All Rights Reserved.