# SPX Corporation Investor Meeting Transcript

## Question-and-Answer Session

**Jeff Sprague – Citigroup**

Thank you. I was wondering, first, on transformers, if you could give us a little color, given the order weakness, what's happening on the price standpoint and is there any cancellation activity going on in the backlog or does the backlog decline just reflect the absence in new orders?

**Christopher Kearney**

The backlog decline, Jeff, really reflects the slowdown in orders. We're not seeing cancellations. And pricing is frankly remaining steady and that's something that clearly we have developed a pretty good discipline around over the last several years. We've, as you know, restructured our contracts in a different way. As raw material costs fluctuate overtime, that's a big factor in ultimately determining revenue. But the culture that we've developed at the company focusing on the operational improvement initiatives have really helped us develop the kind of discipline that we need that I think will – has been good to us in good times and I think will help us through tough times as well. So we're seeing that pretty steady.

**Jeff Sprague – Citigroup**

And then on the wall maps, I think the way, the words you chose were, your guidance assumes raw materials aren't – don't play out differently than what you said here today. But does your guidance reflect benefits from raw material costs relative to ?08 and any noise in the way contracts or lags with hedges play out in your numbers?

**Patrick O'Leary**

It basically reflects raw material pricing prevailing at the point we produced this model. And so, this varies business-by-business. Clearly in this environment, you could reasonably expect the customers would be looking for price concessions. Historically, there is a correlation. We have done a good job constructing pass-through arrangements in most markets. Despite our prevailing view of significant deflation, for high-end materials like stainless steel and others, there has not been the significant deflation that you might expect, but business-by-business we've used our current view of material.

**Jeff Sprague – Citigroup**

And just finally, what is the rough range of margin we should expect at APV if we thought about that on a standalone basis in ?09?

**Patrick O'Leary**

The reality is, as APV becomes integrated with the Flow segment, it basically makes more sense to talk about Flow as a whole. As you saw from my remarks, we've not changed our view of the post-APV guided margins of 14% to 16%. The core business has been running very strong in the 15% to 17% range, and you can tell from today that our expectations for APV are accelerated with much greater savings and earnings per share impact than the original guidance that we gave.