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Cooper Industries, Ltd. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Jeff Sprague - Citigroup Investments.

Jeff Sprague - Citigroup Investments

One question, part one for you, Kirk, and then really the details on Terry.

I'm a little surprised, I mean, the cash does look solid. I'm surprised inventories and receivables didn't come down more given currency and also given that sales were actually decent, but you had widespread plant closures. Terry, could you just give us a little color on how currency may have impacted the working capital items and any editorial thought on that part of the question?

Terry A. Klebe

Well, year-over-year on the currency, Jeff, if you look at our balance sheet, it had a very nominal impact on operating working capital. We had a significant currency increase for the first nine months and gave most of that back in the fourth quarter, so dollar on dollar, 2007 versus 2008, very little currency in there. There's about, as I mentioned, \$25 million from just pure consolidation of a joint venture and an acquisition at year end on inventory for the year.

So all of our metrics, when you look at them, if you look at them by month, by quarter or by year, improved significantly in the fourth quarter, so we feel we took out probably more than we ever could have anticipated as the quarter progressed.

Jeff Sprague - Citigroup Investments

And then, Kirk, there's been a pretty clear playbook here on, you know, a healthy drumbeat of small deals and a healthy level of share repurchase. Does that change in this environment? Is the appetite to do something bigger greater here or how do you play it?

Kirk S. Hachigian

I was watching CNBC this morning when I got up and the Chairman of Dow Chemical was on as a guest host, so no, I think you get a little bit more conservative, Jeff, in that it's hard to tell where these capital markets are and it's very hard to tell where this economy's going.

So I think we probably, as Terry sort of said, keep the \$280 million in cash that we have on the balance sheet capable of paying down that note in November of this year. As we generate additional

capital, we'll keep a pretty healthy CapEx budget for the year. We've got some things around the world. We're putting in capacity, still a bit shy in the Middle East. We've got a Tech Center in Lighting we're building out. We've got a bunch of new products that are still in the pipeline, so we want to continue to fund a healthy CapEx budget, which we can afford to do.

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