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## Stanley Works Q4 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

Your first question comes from James Lucas.

#### James Lucas

Factoring in the volume decline of down 10 to 12% and you look at your contingency planning and 2009, at what point do you think about having to take additional actions or do you think that you've got the cost structure in line if things were to remain stable today? And secondly, cash flow has been a fantastic story and otherwise there hasn't been a lot of good news. When you look at the job you've done on working capital, what opportunities remain there?

#### John F. Lundgren

Jim, this is John. Good morning. I'll take the first half and I'll let Jim take the second part of that question because he took it in the presentation and some of the initiatives that he's leading are really, really the drivers in cash flow.

Your question on contingency planning if you will, or is there yet another way that is right on it's a topic that as recently as the middle of December and again already this year we've discussed with senior management. If volume continues to decline at the rate it's declined the last two quarters, and we may well need another round of downsizing businesses later on in the year. Without being terribly specific, it would be in the second half of the year. Everything we've talked about and everything we've done it's going to take us six months to get it implemented.

So sometime between April and June, we'll have a look forward. Hopefully the situation will be a little more clear. If it's no worse than it is now, what Don's put forward in terms of guidance suggests we've done everything we can do with a reasonable payback. If the situation's worse, sometime in the third quarter we have contingency plans, I would say 50% developed and we've got three to four months to finalize those for yet another round, which of course we're hoping isn't necessary. But I think we'd be less than responsible as an executive management team if we didn't have those contingency plans in place.

I'm going to let Jim talk about the continued operations and on continued opportunities in cash flow, primarily via FSS because as Don suggested it's working capital in general is a huge source of cash for us. We are not going to let up. And I'm going to turn it on over to Jim.

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