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Illinois Tool Works, Inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) Our first question comes from Jamie Cook of Credit Suisse.

Jamie Cook – Credit Suisse

Hi. Good morning.

David Speer

Jamie, good afternoon.

Jamie Cook – Credit Suisse

Oh, I'm sorry. Good afternoon. It's been a long day already.

David Speer

Yes, it is.

Jamie Cook – Credit Suisse

My first question, you guys gave your initial take at the NLS [ph] meeting in December, sort of bi-market, what you were forecasting in terms of industrial packaging power systems. My first question, can you give us your updated view on those markets? And then my second follow up question, you talked about acquisition revenues for 2009. I think it was forecasted at a \$460 million range. That was a little wider than I expected. I sort of assumed you'd be more aggressive in this type of market environment, so if you could just give me your updated thought there.

David Speer

Jamie, let me answer the question on the end markets. I'll give you three or four maybe to put flavor in it. But certainly, what we have seen, as John pointed out in his segment highlights, is a continued deterioration in the macro data. In auto as an example, when we were together in New York in early December, we were projecting the auto build to be down to the 12% to 14% range. It now appears that the auto build will be down globally – internationally, that is Europe and North America, in the 20% range, so significant declines since we met in December.

We talked about housing at that time in North America. We were projecting somewhere in the 700,000 to 750,000 range. If you saw the numbers from December, the December actual came at an

annualized rate of under 600. They were at 550. So we expect the housing range now to be more in the 600 perhaps 700 range. So certainly weaker there.

John noted the industrial production numbers. We talked about industrial production. We met with data that was through October, which was minus 6%, the final number for the year. And North America came in at minus 10%. So clearly, all of these industries have continued to show a continuing decline. And we have certainly seen that in the numbers that we experienced in the fourth quarter you saw in our reported results and certainly don't anticipate any significant improvement in the near term. Certainly, the first quarter is the most difficult quarter from a comparable standpoint. And the trends that we've seen so far, early yet in the year, would indicate that we're going to continue to see these kinds of declines in those key markets.

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