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Barnes Group Inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question is from John Haushalter - Robert W. Baird.

John Haushalter - Robert W. Baird

If you look at the variance you are giving for the operating margin line, the 9.5% to 11%. Is that really just a function of where the volume comes in or is that something that you guys have a little bit more control over in terms of where it shakes out?

Chris Stephens

I think the way to look at this it's probably in line with our top line forecast, given the 10% to 15% drop for the full year 2009. We are taking into consideration that considerable volume drop and the impact it's going to have on our bottom line. So when you think about the margin assumption, that's when we came up with that estimate.

John Haushalter - Robert W. Baird

And looking at that top-line number, just given the sharp decline you guys had in the fourth quarter, when you are saying there is no recovery in 2009, would that include kind of the fourth quarter being down comparably or just an easier comp just an easier number in 4Q, 2009 because you are getting an easier comp?

Greg Milzcik

There are a couple of things, John. One is we anticipate that there will be some sort of inventory compression during the first quarter and that proves out. If you look at some of the data, the manufacturing alliance presents for example. The past two quarters have seen significant rise in inventories, in fact it accounts for over 2% of positive GDP in the mix in the past two quarters.

We believe that has to be bled off sometime in the first half of the year. So even if overall macroeconomic markets don't improve, we expect that after this inventory bleeds off, we'll recover some sales volume in the back half of the year and that's part of the calculation. We expect the back half to be better than the first half.

John Haushalter - Robert W. Baird

I guess switching gears. If you look at the new segment reporting and you reference kind of the administrative efficiencies and redundancies that you were able to eliminate with that. Is there a way to put a number around that, just quantify for us what the benefits are internally for you guys from the new reporting system?

Chris Stephens

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