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SPX Corporation, Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). We will take our first question from Jeff Sprague with Citi Investment Research.

Jeff Sprague - Citi Investment Research

Thank you, good morning.

Chris Kearney

Hi, good morning, Jeff.

Patrick O'Leary

Hi, Jeff.

Jeff Sprague - Citi Investment Research

And a just a couple of things, first on transformers, the 27% decline is that a sequential decline versus Q3 or is that year-over-year and can you give us the other one, the other side of that equation?

Patrick O'Leary

It's sequential.

Chris Kearney

It's sequential. Q3 had declined 10% from the prior quarter, and Q4 was 27% sequential decline from there, so the year-over-year, Jeff it would be a little bit worse than that 27%.

Jeff Sprague - Citi Investment Research

And can you give us an update on what's going on with price on transformers, any change, any pushback relative to product in the backlog or any significant change by some new orders?

Chris Kearney

Yeah. Where we are right now, Jeff is that we are still experiencing a reasonable level of pricing in that business. However prices have come down since the middle of last year. The decline in the input cost of copper and oil have impacted pricing and the cost distribution margin has come down off the

peak that we saw in the third quarter of last year, and of course those things are factored into the 2009 guidance that we have out there.

Jeff Sprague - Citi Investment Research

And can you give us a sense of how much broadcast falls in '09 coming off this digital conversion?

Patrick O'Leary

It really isn't significant based on the mix of revenue and the new products that they are introducing.

Chris Kearney

I would say the segment, we are targeting, Jeff, around probably 20% organic decline give or take, and the business isn't too far after that I would suggest.

Jeff Sprague - Citi Investment Research

Okay. And Patrick, there's just a few things sequentially moving around on the balance sheet, deferred tax liabilities and other long-term liabilities. What's that relate to?

Patrick O'Leary

Some of that relates to the acquisition of APV and the finalization of purchase accounting. Again, settlements of legacy matters occurring expiry of statues and outside of that, no other significant fundamental change in the business.

Jeff Sprague - Citi Investment Research

And then finally for me, just thinking about Test and Measurement, how the year plays out, obviously it would be difficult. But when you try to look at kind of the pass-through this period of weakness, what can you gleam from looking at dealer consolidations or inventory in the channel, or other factors to give you a sense of what inning we might be in this downward grinding process?

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