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Matrix Service Co. E3Q09 (Qtr End 02/28/09) Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Michael Harrison – First Analysis Corp.

Michael Harrison – First Analysis Corp.

You quantified the impact of project cancellations on the backlog, and it sounds like it was really just one large project that was cancelled, but can you give us a ball park on what portion of the backlog those projects are still facing delays of some kind.

And then maybe talk about what you think needs to happen in order for those projects to proceed. Is it more of a customer-by-customer issue, related to their ability to get financing for their specific projects, or is it a trend that's more related to the overall macro and commodity price environment?

Michael J. Bradley

I think first of all, in terms of the projects that we currently have in backlog, they are continuing to move forward. I think what happened, during the Q3, which included December and January and obviously February, but I think in December and January a lot of people just went to the sidelines. As they tried to assess what happened with the financial markets and the impacts on their business. So there was some slowdown in Q3 on some of these but right now those projects continue to move forward.

As I mentioned, we are starting to see some signs from clients that have indicated that they are getting authorization to proceed forward with the projects. They are discussing pricing, or re-pricing, particularly in the current market given the significant drop in commodity prices, and particularly steel. Which right now is a pretty good buy.

So we are not sensing any delays in our current backlog. I think the other piece of it is, as I have stated in the past, is the repair and maintenance portion of our work. A lot of that work never shows up in backlog as it rolls in and out in any given quarter. And that is an area where we really saw, you know, some of the short-term maintenance projects really get put on hold in Q3.

Michael Harrison – First Analysis Corp.

We have seen you do a couple of relatively small acquisitions recently. Given the current environment, can you talk a little bit about how you're viewing the risk and reward trade off as you look at the acquisition opportunities out there?

Michael J. Bradley

As I stated, the CB&I acquisition, the technology capabilities that we got, really fit extremely well with the people and talent that have transitioned from the LNG project into our Gulf Coast region, which remains a region that we are focused on growing and making some good progress there.

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