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Cooper Industries, Ltd., Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions). Your first question comes from the line of Nicole Parent with Credit Suisse.

Nicole Parent - Credit Suisse

Good afternoon.

Kirk Hachigian

Hi, Nicole.

Nicole Parent - Credit Suisse

I guess when we think about just the business trends, I think you guys gave us a lot of color by business. How do we think about where the US troughs? And how much does your international business lag the US?

And I guess along the same line, have tool margins dropped? And how do we think about the electrical decrementals given the end market color that you gave us? I mean do we think tools continue to lose money, and so we actually see a break in revenue?

Kirk Hachigian

All right, so let me start on the question. I'll have Terry finish it. But of course I want to point out, we do note that this is probably your last conference call with us, so we want to wish you much success as you move forward to start.

Nicole Parent - Credit Suisse

Thank you very much.

Kirk Hachigian

No problem. But I think it's hard to predict a lot of the issues with regard to the US, but as I think about the output rates of the automotive, and the average life of cars on the highway, same with the class 8 trucks, and the same almost with the housing, you have got to believe that we are closer to a bottom than anything else.

Although trying to predict that bottom is obviously very difficult. We are seeing stability our industrial businesses, and as Terry said, as you think about the first quarter order rates, and if you look at your book-to-bill, both in electrical and in tools in North America, they flattened out since the fourth quarter.

So there's reason to believe that the liquidity in the capital markets, the spread on the LIBOR rates, that things are beginning to bottom out. The stock market I think essentially helps people feel that the wealth destruction has at least slowed down, if not come back a little bit.

The internationals are down, but not as bad. Western Europe you have to detach from the developing economies, but I think we talked about a low double-digit negative growth rate, excluding FX on the international side, which is obviously a bit better. We still think that we have got opportunity.

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