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## The Timken Company Q1 2009 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator Instructions) Your first question comes from Eli Lustgarten - Longbow.

#### Eli Lustgarten - Longbow

Could we talk about how you're viewing the rest of the year by the various segments, specifically, process which was down 22% in the quarter and you're going to be down 25%, 30% for the year; it's about a 19% margin. So are you basically looking at volume level to be relatively flat for the first quarter, but margins to go from like the high teens to the low teens?

Your loss forecast for Steel, is the same way? Do we lose money every quarter? Can you give us some guidance of how you're thinking about the adjustments and even in Mobile, do you expect to get back to break-even in both Mobile and the Steel sectors sometime in calendar 2009?

#### Mike Arnold

Yes, Eli this is Mike. Let me take your question around process at least first and then I come back and talk about any of the other segments you want to talk about. The process side of the market actually is still declining. I think as we talked about last quarter, we saw the Mobile side of the business go pretty aggressively out towards the latter part of 2008.

Process, if recall there's a lot of our businesses in the metal side of the marketplace, both from the standpoint of original equipment and aftermarket and that was down very heavily in the first quarter and to a certain extent still declining. The good side of that is at least the Asia perspective, from a process standpoint.

In China, we actually were above where we thought we would be in the first quarter. So, there is a little bit of strength there on some of the incentives that are being provided from the government, their infrastructure builds and so we believe that China will actually continue to grow.

The rest of the process markets actually continued to weaken and a lot of that comes out of the distribution side of the business, which is a combination of not only the revenue from the marketplace deteriorating, but everybody is taking as much inventory out of the channel as possible. So that goes for end users, distribution channels themselves, than the course back into the OE's.

So, I think as we look through the remainder of the year, you'll see some degradation on the top line from process, throughout the next two quarters and then probably a leveling from there, versus where

we're in mobile. Mobile, actually we'll begin to see some appreciation with respect to top line revenue, but very different by market segment.

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