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Hexcel Corporation Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) And we'll take our first question from Howard Rubel.

Howard Rubel – Jefferies & Co.

Thank you. Two questions, one is with the lower capital spending and with somewhat improved receivables turn, Wayne, how significant will your free cash flow be this year, I mean could it be \$20 million to \$25 million?

Wayne Pensky

Yes, Howard, we've said we intend to be free cash flow positive and we are sticking to that. How big that number will be I think will just depend on the amount of sales near the – in the fourth quarter. That will probably be the bigger driver of everything.

Dave Berges

Our main point, Howard, is that if sales get worse than people are expecting, cash should get better.

Howard Rubel – Jefferies & Co.

The model works!

Dave Berges

Pardon me, yes?

Howard Rubel – Jefferies & Co.

The model works!

Dave Berges

Right.

Howard Rubel – Jefferies & Co.

I mean it does what it's supposed to do as opposed to getting stuck with something. You know I appreciate that. And the second thing is in terms of new products and in terms of the F-35, could you – and sort of what you are going to do with even the capacity that you've added? Could you address

some of the markets that that's going into and how this will offset maybe some weakness in other markets, Dave?

Dave Berges

Well, let me talk about a couple of pieces of capacity. First, wind energy capacity coming on late in the year in Colorado and China are to address our customers making blades there. So that sort of stays independent assuming those projections from our customers remain true. And they are really relevant to any of the worry that goes on now in commercial aerospace markets.

In military programs we've got good visibility and almost have for what the long term prospects look like for our carbon fiber and we've always managed and monitored that very closely as have our customers and as has the U.S. government.

The main CapEx expansion, as you all know, has been for our future outlook on the A-350. In the case of prepreg, we've put plants up in Europe. Those plants are up, qualified and running, supplying developmental materials to the A-350 now. I am sure that as we go through the development phases of the A-350 there will be stops and starts of that capacity just because that's the nature of a new airplane program. Longer term, each of those plants will have additional prepreg capacity and be great contributors.

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