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TRW Automotive Holdings Corp., Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). We will take our first question from Himanshu Patel - J.P. Morgan.

Himanshu Patel - J.P. Morgan

Can I get the EBIT impact from foreign exchange?

Joseph S. Cantie

Yes, it was \$444 million on the sales line, and it was roughly around 8% on the P&L side.

Himanshu Patel - J.P. Morgan

8% down versus a year ago?

Joseph S. Cantie

No, 8% on the \$444 million; so, roughly speaking it was about \$35 million to \$36 million.

Himanshu Patel - J.P. Morgan

Joe, how should we think about these decremental margins going forward, the 15% rate or even if it's a little higher, cleaned up for FX; it's still much better than what you would have expected in most of 2008; should we model this sort of level in Q2 and the rest of 2009?

Joseph S. Cantie

Yes, you often hear me say that our contribution margin is somewhere at 25% plus. I think it's great that we've been able to achieve something like the 15% you saw in the first quarter. There were a number of things that went into that; first of all, there is the effect of the currency. Secondly, we are really containing just about every cost you can imagine and we'll continue to attempt to do that, but you have to wonder if that's sustainable over the future. It is way of saying that I don't think you can model in the 15% every quarter, I think it needs to be something higher than that, perhaps not as high as the 25% given the cost containment or restructuring we're doing, but it's probably somewhere in between those.

Himanshu Patel - J.P. Morgan

You mentioned your European sales excluding FX were down 27% and I think you mentioned the industry was down 41%; what's driving the content growth and should that continue going forward?

Joseph S. Cantie

I think mix plays a big part of it, Himanshu; the reporting of production by folks like CSM and JD Power sometimes moves from quarter to quarter. I think that gap between the 41% and our 28% decline, I wouldn't expect that to continue, and quite frankly there are certain quarters where it might move the other way. Recall that we do have an aftermarket group and we do have some commercial business out in Europe. So, there are a number of those things that sort of quell that comparison, but again there are certain quarters where it flips the other way. So I wouldn't expect that to continue at this point.

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