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## Oil States International, Inc. Q1 2009 Earnings Call Transcript

### Question-and-Answer Session

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**Operator**

Thank you. (Operator instructions) Our first question comes from John Daniel from Simmons & Company. Please go ahead.

**John Daniel – Simmons & Company**

Good morning.

**Bradley Dodson**

Good morning, John.

**Cindy Taylor**

Good morning, John.

**John Daniel – Simmons & Company**

I just have a couple quick ones for you. The first is on the rental business. At this point, have you completed the facility consolidations?

**Cindy Taylor**

We are not complete, but they are substantially in progress. We've addressed the headcount issues generally that we had to, although they are continuing and we've had to make further adjustments subsequent to the end of the quarter. Any continuing time delays are really associated with building the facilities where we have intended to consolidate existing multiple facilities in a given region.

**John Daniel – Simmons & Company**

Okay, all right. And then just moving over to the tubulars, I think on the last call you mentioned that something like 80% or more of the inventories were committed. At this point, have any of your customers walked away from the commitments?

**Cindy Taylor**

No, our customer base is a very strong customer base, and they have – we are working diligently with them really to try to work through, as I stated, the excess inventory that's in the market. We're doing everything that we can to assist with that effort to help them manage through those commitments

that have been made. Clearly, our inventory turns have slowed from what we experienced last year, because even though the commitments are in place, they are not drilling as many wells. So what you find there is just a slower rate of inventory turns.

**John Daniel – Simmons & Company**

Okay, fair enough. That's it. Thanks a lot.

**Bradley Dodson**

Thanks, John.

**Operator**

Our next question comes from Victor Marchon from RBC Capital Markets. Please go ahead.

**Victor Marchon – RBC Capital Markets**

Thank you, and good morning.

**Cindy Taylor**

Good morning.

**Bradley Dodson**

Good morning, Victor.

**Victor Marchon – RBC Capital Markets**

Just on the Tubular Services as well, the first question, is there a sense that for your inventory the drawdowns will pick up some pace in the second quarter relative to the first?

**Cindy Taylor**

That's a great question. And what you don't see and which is what we look at and have continually since we started this downturn is not only inventory on the ground, but inventory that is in transit, i.e., committed by us and then open purchase orders, which are obviously commitments. And so what you are not seeing is the significant rate of decline of the open purchase orders that we have. You just see what's booked in inventory that's received and on the ground for us. We had predicted that we would not see any significant turn in inventory until late in the quarter, generally March. That's essentially what did happen. If I recall the number right, I think our inventory was down about \$27 million for the quarter. If you caught Bradley's comment, our availability has increased fairly significantly subsequent to the quarter. A part of that – not all of it, but part of that is due to further inventory reductions in the Tubular Services segment.

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