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Pall Corporation F3Q09 (Qtr End 4/30/09) Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from the line of Jeff Zekauskas with JPMorgan.

Analyst for Jeff Zekauskas - JPMorgan

Good morning. This is [Silka] for Jeff. How are you? A couple of questions -- in the aerospace and transportation side, are the rates of growth in commercial airlines, which was up 25% and military, which was up 11%, are those sustainable and can you talk about the rate of volume and order growth you've seen in May and June?

Eric Krasnoff

We think the commercial aerospace was a restocking, primarily, of inventories as companies are a little bit more secure with their cash around the world, so we would expect commercial to drop back into a traditional range, which is mid-single-digit.

Military I think will continue to be healthier than commercial but again, we'll start to move back towards the mid-single-digits. There are an unusual number of development programs going ahead and if those continue to be funded, then we can be much more towards the top of that range.

Analyst for Jeff Zekauskas - JPMorgan

Can you remind me --

Eric Krasnoff

Nothing in particular for orders.

Analyst for Jeff Zekauskas - JPMorgan

Can you remind me how large individual pieces are? How big is commercial, how big is military, how big is transportation?

Eric Krasnoff

Now it's more 60-40 on the military side. Traditionally it's been about even. And the transportation segment, which was really hit, is about \$80 million, from memory.

Lisa McDermott

On an annual basis.

Eric Krasnoff

Annualized, yes.

Analyst for Jeff Zekauskas - JPMorgan

Okay, and if I could --

Eric Krasnoff

You're restricted to nine questions, Silka.

Analyst for Jeff Zekauskas - JPMorgan

So one more question and I'll get back into queue -- in terms of the, you know, movement on the SG&A line, how far are you with the goal of like the 4% employee reduction and what is sort of the run-rate of cost savings through the third quarter?

Lisa McDermott

Well, the 4% of employee reduction is done. That was completed, so our headcount -- by the way, that 4% also includes some indirects in manufacturing. Not just SG&A but overall, our headcount has been reduced year-over-year by 4%. In terms of SG&A, we saw a good portion in Q3 and we should continue to see in Q4 elevated, you know, reductions from spending controls.

Analyst for Jeff Zekauskas - JPMorgan

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