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Actuant Corporation F3Q09 (Qtr End 5/31/09) Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) And our first question comes from Jamie Sullivan from RBC Capital Markets. Please proceed with your question.

Jamie Sullivan - RBC Capital Markets

Good morning, everyone. I was wondering if you could talk a little bit more about the industrial segment, maybe some of the geographic trends that you saw there in Europe, North America, and any destocking that you are seeing, and if that's been completed?

Robert C. Arzbaecher

Okay. Well, as you know, Interpac and [Metmic] represents most of the industrial segment. This is a very global business. We saw slowdowns in all of the geographies around the world with Europe leading the pack, U.S. a little bit behind that, and then China and Asia behind that.

Inventory destocking, a very difficult number for us to see, get a handle on, just because of the diverse nature of the 1200 distributors. There had to be some destocking in there, Jamie. We just have no way to quantify it.

Jamie Sullivan - RBC Capital Markets

Sure. Okay, and then I was just curious on the \$125 million in free cash flow this year, a strong number, obviously. How much of that is from inventory reduction?

Andrew G. Lampereur

We'll get it for you in a second here.

Jamie Sullivan - RBC Capital Markets

Sure.

Andrew G. Lampereur

In the quarter, as I mentioned, we had reduction of about \$27 million in inventory. Through the nine months this year, we've taken down inventory by about 37. I would expect the fourth quarter reduction to be somewhere in the \$5 million to \$10 million range, so for the full year, \$42 million to \$47 million or so.

Jamie Sullivan - RBC Capital Markets

Okay, great.

Andrew G. Lampereur

The interesting thing on that, Jamie, is with our lead business system and business process, our goal is to try to limit that as the economy recovers. Clearly some of that you'll have just in inventory and you have to stock but our goal is really to use our lead process to make some of that velocity of inventory turns permanent.

Jamie Sullivan - RBC Capital Markets

Right. Okay, great. And then just lastly on the pricing environment, are you seeing any trends there one way or the other?

Robert C. Arzbaecher

You know, it has not been a big issue. I would say it's not a top 10 issue. We have a few pockets where pricing is always aggressive in some of the OEM businesses and some of the DIY businesses. But I would look at this current recession we're in and tell you that pricing is not a big worry-less thing for us.

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