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Commercial Metals Company F3Q09 (Qtr End 05/31/09) Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Rob Moffett - Longbow Research.

Rob Moffett - Longbow Research

I'm a little bit curious regarding your outlook for construction. How does that tie into an outlook for metal margins, moving forward?

Murray R. McClean

Well, we review, particularly, as you know, we are a mini-steel producer and if scrap goes up, as we forecast in July, we anticipate rebar prices for argument sake to be basically stable. So we would expect on a renewable basis margins to be squeezed some there. Obviously on the recycling side, their margins should improve if the scrap prices go up. And certainly if shipments go up, which we anticipate as well.

Rob Moffett - Longbow Research

And then if we see some—I mean, if the demand that we're seeing right now is maybe seasonal, after some of that wears off, if there isn't maybe a solid non-residential construction market do we potentially see pricing come down after that?

Murray R. McClean

That's possible. I mean, as we mentioned, we don't see any great impact with the stimulus package this calendar year. Hopefully, next year that will kick in but certainly in our view there will be a gap between when that kicks in, so it could be one to two quarters.

Rob Moffett - Longbow Research

And if you do see some kind of a stimulus impact, where in the construction market do you think it would be?

Murray R. McClean

Well, definitely for us in the highway work. But you know, on the public sector in general it would be very positive.

Rob Moffett - Longbow Research

Outside of that, with the fab side of your business, are there still backlogs there?

Murray R. McClean

There are still backlogs but they are declining, and there's a lot of small jobs being awarded but not too many large jobs, so hopefully, with some price stability, either directly or indirectly because of the stimulus package impact, that should pick up in the next few months.

Rob Moffett - Longbow Research

Can you give us an idea of what kind of rate they're replacing at right now?

William B. Larson

Probably half.

Rob Moffett - Longbow Research

Could you give us a little update on your three big projects? The Arizona, Poland, and Croatia and kind of where we're at in terms of completion.

William B. Larson

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