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TRW Automotive Holdings Corp. Q2 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Himanshu Patel - JP Morgan.

Himanshu Patel - JP Morgan

Joe, I don't know if you disclose this or not, but can you tell us how your European revenues fared on a constant currency basis Q1 to Q2? I just wanted to compare that two industry production or maybe you could just tell us, did you guys perform in line with industry or above or below?

Joe Cantie

If you look at our first quarter sales in Europe, compared to our second quarter adjusting for currency, our sales were up about 20%-ish. When I compare that to CSM, which is what you mentioned, they were slightly higher. They were up to about 26%. The reason for the difference, there is nothing indicative there that's troublesome.

The reason for the difference is as you know; we cut-off differently on our quarters. So, the first quarter cut-off at April 3 and what winds up happening is TRW's first quarter has about 5% more days than CSM. So, it has to do with a lot of timing between CSM and our cut-off periods, along with some timing of stocking for the Q2 production.

If you look back at the first quarter and compared first quarter to fourth quarter, you have the absolute opposite effect where we were much higher than CSM, again because we had those extra days in the first quarter and we actually start shipping some of the parts in March for April production.

John Plant

Eventually Himanshu, what you can see is basically on the half about the same and any mix shift to smaller cars was offset by content growth.

Himanshu Patel - JP Morgan

It looks like Q1 to Q2 at the EBIT margin line; you converted at about \$0.40 on the dollar. If you just look at sequential EBIT change over sequential revenue change. Can you talk a little bit about the sustainability of that level of contribution margin going forward?

John Plant

I mean clearly when you look at, we have obviously calculated Himanshu both the decremental contribution levels compared to the second quarter of last year and also the incremental compared to the first quarter of this year. It's always difficult to really comment on either sustainability through what period.

Certainly I think in the shorter term, you would say, why wouldn't it be the same, two years from now, I mean who can say as you are incrementing at those times, but certainly through what has been this enormous trough and currently, it's difficult to see why wouldn't be of a similar order of magnitude, but again, you have to expect variability within that.

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