

FINAL TRANSCRIPT

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TRS - Q3 2008 TriMas Corporation Earnings Conference Call

Event Date/Time: Nov. 10. 2008 / 11:00AM ET

Nov. 10. 2008 / 11:00AM, TRS - Q3 2008 TriMas Corporation Earnings Conference Call

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Merrill Lynch - Analyst

Fred Taylor

- Analyst

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Barrington Research - Analyst

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PRESENTATION

Operator

Good day, ladies and gentlemen, and thank you for standing by. Welcome to the TriMas third-quarter earnings results 2008 conference call. At this time, all participants are in a listen-only mode. Later we will conduct a question-and-answer session. Instructions will be given at that time. (Operator Instructions) As a reminder, today's conference is being recorded.

I would now like to turn the presentation over to your host, Ms. Sherry Lauderback, Vice President Investor Relations. Ms. Lauderback, please begin.

Sherry Lauderback - *TriMas Corporation - IR*

Thank you. Thank you and welcome to the TriMas Corporation third-quarter 2008 earnings call. Participating on the call today are Grant Beard, TriMas's President and CEO, and Mark Zeffiro, our Chief Financial Officer. Also with us is Bob Zalupski, our Vice President of Finance Operations. Grant and Mark will review TriMas's third-quarter operating and financial results in addition to providing the Company's outlook into the remainder of 2008. After our prepared remarks, we will then open the call to questions.

To facilitate this review of our results, we provided a press release and a PowerPoint presentation on our Company website, www.trimascorp.com, under the investor section. In addition, a replay of this call will be available later today by calling 866-837-8032 with an access code of 1300101.

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Before we get started, I would like to remind everyone that our comments today which are intended to supplement your understanding of TriMas may contain forward-looking statements that are inherently subject to a number of risks and uncertainties. We caution everyone to be guided in their analysis of TriMas by referring to our Form 10-K and our Form 10-Q for a list of factors that could cause the results to differ from those anticipated in such forward-looking statements.

Also, we undertake no obligation to publicly update or revise any forward-looking statements except as required by law. We would also direct your attention to our website where considerably more information may be found.

At this point, I'd like to turn the call over to Grant Beard, TriMas President and CEO.

Grant Beard - *TriMas Corporation - President and CEO*

Thank you, Sherry. Good morning and welcome to the TriMas Corporation third-quarter 2008 earnings call. This morning Mark Zeffiro, our CFO, and I will review our third-quarter results in addition to our segment highlights for the quarter. Together we will also provide a financial overview of our Company as of September 30, 2008 and discuss the Company's outlook for the remainder of the year. After our formal comments are complete, we will open up the call for Q&A.

During the first nine months of 2008, we have performed well against the objectives we set at the beginning of the year. Our third-quarter results were strong and we are pleased that our strategic growth and cost initiatives continue to show progress. Our Company delivered solid performance within the quarter by meeting our earnings expectations in a difficult and rapidly changing economic environment.

Our strategic growth priorities which are focused on the end markets of energy, aerospace, medical, pharmaceutical, and specialty packaging continue to transition our overall portfolio. During the third quarter, the Packaging Systems, Energy Products, and Energy Specialty groups collectively grew sales by 21% year-over-year as a result of our new product, customer, and geographic expansion initiatives.

It is important to note that these three segments generated 88% of our segment operating profit during the quarter. The positive performance of these three segments continues to be partially offset by the impact of the consumer recession within the United States and our exposure to consumer discretionary spending within our RV Trailer Products and Recreational Accessories segments that we collectively call Cequent.

While TriMas revenue grew at an overall rate of 7.1% for the third quarter, these two groups known as Cequent, saw revenues decline by 10% and although we believe this performance was against an overall end market that was down by approximately 20% in comparison to last year, we continue to see weakness due to the broader-based economic environment and do not see a catalyst for improvement for these groups in the near term.

While we remain focused on aligning Cequent's cost structure with market realities, we continue to be aggressive in our efforts to gain market share, launch new products and expand our markets to continue to drive our relative revenue performance and position these segments for when the end markets return.

Clearly the events of the past several weeks have created an additional level of uncertainty with respect to the global economy. In October, we experienced additional demand weakness most notably in our Cequent businesses. Consumer confidence is down. Credit is tight and consumers have less money to spend. These uncertain times require our Company to continue balancing our growth initiatives with cost management. We remain committed to an aggressive cost management environment that is founded on the disciplines of lean that will continue to drive managerial as well as operational leverage within our Company.

We believe it is prudent to accelerate our Profit Improvement Plan which is focused on operating improvements and fixed cost reductions across our businesses. We are taking decisive steps to strengthen TriMas in a tough environment and believe these

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actions will remove \$15 million of fixed costs from TriMas in 2009 and ultimately support \$30 million in annualized savings by 2010.

We are committed to rationalizing our fixed cost structure, enhancing our free cash flow to improve our balance sheet and support our positive growth initiatives. These actions, which will be discussed by Mark in more detail shortly, will strengthen our Company in 2009 and beyond.

Notwithstanding the impact of our consumer discretionary spend exposure, we still see significant backlogs in our aerospace and energy businesses as well as tremendous support for our specialty packaging and medical component initiatives. TriMas has never had more commercial opportunities in front of it as a company than it does at present time.

In the third quarter alone, TriMas secured over \$30 million in new revenue awards that will benefit future periods. TriMas has a great group of diversified businesses within its portfolio. We believe that the composition of this portfolio combined with the disciplined execution of our growth initiatives and our talented team will enable us to react quickly to changing market conditions and outperform our competitors in markets that we serve. We believe this is evidenced within the financial results achieved in the third quarter.

For the third quarter, TriMas's revenues were up 7.1% to \$276.9 million. Including a sales increase of 21% from our Packaging, Energy, and Industrial Specialties segments collectively, a sales decline of 10% from our Cequent businesses within the quarter. Our adjusted EBITDA was \$38.1 million or an increase of over 8%, largely driven by the success in our Aerospace, Energy, and Packaging businesses. Income and diluted EPS from continuing operations were both up in excess of 50% when compared to the third quarter of 2007.

Our Company drove over \$24 million in operational free cash flow compared to \$10 million in the third quarter of '07 with all operating segments producing positive cash flow. At the same time, our total indebtedness including amounts outstanding on our AR securitization were down almost \$42 million with the Company having over \$141 million of availability and \$5 million in cash at quarter end. This performance was in line with our expectations and supports the balance of initiatives being implemented across TriMas.

Now as we move into our segment slide starting on slide eight, you can see that while 62% of our quarterly revenues were from Packaging Systems, Energy Products, and Industrial Specialties segments, these three segments also accounted for again 88% of the segment operating profit of our Company. This is a result of our focused growth in the specialty packaging, aerospace, energy and medical end markets and unfortunately also is reflective of the pressures we are seeing in our consumer facing Cequent businesses which now have less influence on our overall results.

Let's now look at each of our reporting segments starting with our Packaging Systems segment on slide nine. Packaging Systems saw revenue growth of 13% in the quarter with its industrial closure in specialty dispensing product lines being up and its commercial construction products being essentially flat as compared to the third quarter of '07. Strategically, we continue to transition this group to have increased exposure into growing end markets such as food, beverage, pharmaceutical, and medical, which over time will moderate the group's exposure to cyclical industries such as construction.

Even in our business that traditionally service the commercial construction market, we are seeing success with the new product endeavors into specialty and technical [tapes]. Our earnings improved in this segment as a result of increased sales, partially offset by increases in raw material costs and expenses incurred to support the sales growth initiatives I have previously mentioned.

In addition, the group also continues its investment into international expansion initiatives for its core specialty dispenser and closure product lines as we expand our efforts into Western Europe and Southeast Asia. We believe these initiatives will drive long-term growth in both revenues and earnings.

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In the near term, we expect modest growth within this group with results being moderated by our product exposure to the United States commercial construction market and a potential slowdown of other industrial markets.

Within our next group, Energy Products, we saw a significant revenue growth of more than 37% compared to the third quarter of '07. This was driven by strong demand, new products, and market expansion. Our new compressor and gas equipment product offerings are being well received in the market and we finished the third quarter with a substantial backlog for our engine product lines. Our strategy of expanding our well site content is being implemented and is exceeding our expectations.

Our other company in the segment, Lamons Gasket, continues to execute its international expansion plan with the support of majors such as ExxonMobil and Dow Chemical. To support these global customers, Lamons has expanded operations in Europe and Asia. Overall, this segment's earnings in the quarter also showed solid conversion with adjusted EBITDA being up 56% and operating profit up 68%.

This group's outlook is for moderated growth as a result of recent softening in commodity prices offset by the fact that we sell predominantly MRO and replacement products coupled with our international and product expansion initiatives.

Our third segment, Industrial Specialties, had revenue growth of 16% and adjusted EBITDA and operating profit growth of 18% and 22% respectively as compared to the third quarter of '07. During the quarter, we saw continued growth and substantial backlogs in our Aerospace Fastener product lines as they continued to launch new products and gain applications.

In addition, our specialty cylinder business continued to gain share in Europe, Africa, and South America. We saw improved margins in our specialty tool, defense, and aerospace businesses, which were partially offset by lower absorption of fixed costs in our specialty fittings business. The segment's product expansion initiatives into medical components also continued to progress during the quarter. This group's outlook is also for moderated growth due to the overall economic climate in the United States and Europe for basic industrial products with a positive effect coming from our product end market expansion initiatives.

Our fourth segment, RV and Trailer products, saw its revenue fall almost 9% as compared to the third quarter of '07. This was a direct result of reduced demand in the US and Canadian end markets. This decrease was driven by continued weakness in consumer discretionary spending, consumer confidence, and credit availability. Earnings for the group were directly impacted by reduced volumes and associated under absorption of fixed costs. Earnings conversion in this segment however were unacceptable.

This group is now aggressively migrating its activities to low-cost environments and will increasingly leverage our own assets in Mexico and in Southeast Asia. This group is currently positioning the implementation of further reduction of its fixed cost footprint in organizational spend in North America.

As the group continues its implementation of cost initiatives, it will also continue to lever its great brands and market positions. And while its end served markets remain weak, especially in the United States, the group's initiatives in Southeast Asia and Australia are producing growth opportunities. We expect this group to continue to outperform its served markets, dramatically reduce fixed cost levels and aggressively leverage our market leadership position as it continues to work through the cyclical bottom of its served markets.

And our last group, Recreational Accessories, saw its revenues decline 11% with greater declines in adjusted EBITDA and operating profit as a result of lower sales volumes and a less favorable sales mix. We continue to see a shift away from our more customized higher profit heavy-duty towing applications to lower-priced items. This pattern is expected to continue until we work through the cyclical bottom of our served markets.

The earnings conversion in this group is also unacceptable. This group will continue to aggressively leverage our market leadership positions and reduce both fixed and variable costs as required. The outlook for this group is the same as our RV and

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Trailer Products segment. In both these groups known as Cequent, we are implementing initiatives to simplify our business and dramatically reduce fixed costs, which Mark will discuss in more detail in a moment.

These businesses are required to drive both free cash flow and positive returns for our portfolio even in this cyclical downturn. With our end market outlook for 2009 to be weaker for this group, our initiatives position this group to do just that. Again, we believe that these businesses of market leaders will be positively positioned for the eventual cyclical recovery and will drive future shareholder value. But in the short term, they will be aggressively managed to support our overall portfolio.

Our Company as you can see remains a tale of two cities. The good news is that despite all the challenges we face including financial market turmoil, credit market tightening, and a recessionary environment, our strategies for growth remain constant as evidenced in the third quarter continue to show progress.

At this point, I would like to hand the call over to Mark to take our listeners through our financial review. Mark?

Mark Zeffiro - *TriMas Corporation - CFO*

Good morning and thank you, Grant. I will begin my comments referencing page 15 of the slide presentation. First, let's consider our results for the quarter. We delivered quarterly sales of \$276 million, a \$7.1 million increase versus a year ago.

As you heard, the Packaging Systems, Energy Products and Industrial Specialties segment had a sizable effect in the quarter with combined sales growth of 21%. This performance was offset by continued end market declines in our RV and Trailer Products and Recreational Accessories segments, collectively called Cequent, which resulted in a 10% sales decline during the quarter for these groups. Our price initiatives contributed 5% of the increase in revenues in the quarter and foreign exchange also contributed 70 basis points.

Gross margin percentage declined in the quarter by 110 basis points as the beneficial efforts of our pricing initiatives were more than offset by demand softness and a less favorable mix within the businesses. During the quarter, we continued efforts to right size our investment in inventory by reducing our planned production output during the quarter which resulted in yet further under absorption and related manufacturing variances. We remain committed to our end markets but also recognize the need to balance this commitment with our needs to right size our working capital commitments.

We will discuss these efforts in greater detail a bit later in our remarks. During the quarter, our SG&A spending increased \$1.2 million compared to the prior year. This was driven predominantly by the year-on-year advances in growth-related resources for the packaging and energy businesses and our investment in Australia. SG&A as a percent of sales was slightly down at 15.8% versus 16.1% in 2007 driven by sales leverage predominantly in the energy segment.

Benefits of our Q2 actions previously announced to reduce costs at the corporate office contributed \$700,000 in the quarter. Operating profit for the quarter was \$27.9 million or 10.1% of sales. This represents an increase of \$2.4 million and a 25 basis point improvement versus the year-ago period.

Continuing to move down the income statement, interest expense decreased by \$2.1 million in the quarter driven by a more favorable weighted average cost of borrowings and continued reductions in the outstanding debt. Our weighted average cost of borrowings was 5.2% in the quarter versus 7.5% in the prior year. During the quarter, our effective tax rate was 40% as we recognized a shift in expected geographical mix of earnings to higher rate tax jurisdictions.

On a year-to-date basis, our sales of \$854 million represented an increase of 2.7% versus the first nine months of 2007. The dynamics for the year-to-date are similar to the quarter where the Energy Products and Industrial Specialties segments collectively growing 13% year-to-date. This significant growth was largely offset by declines in the RV Trailer and Recreational Accessories segments, a retraction at 6.5% and 10.2% respectively.

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Foreign currency exchange contributed approximately \$12 million or 1.3% of the sales increase versus 2007. For the year-to-date, September gross margin percentages were 26.2%, which represents a 120 basis point decline compared to the same period of last year. The drivers of this decrease are consistent with my comments for Q3, most notably our manufacturing actions represent a 70 basis point of this decline with a similar effect stemming from less favorable sales mix, most notably within the Cequent businesses.

Year-to-date September, our SG&A performance is consistent with my quarterly commentary. SG&A as a percentage of sales was 15.7% excluding the effect of the restructuring activities and showed improvement versus a year ago at 16.1%. The restructuring actions have resulted in \$800,000 in reduction year to date.

Turning to slide 16, our reported diluted earnings per share was \$0.25 for the quarter and \$0.76 year-to-date versus 2007 Q3 income of \$0.16 and \$0.34 per share for the quarter and for the first nine months of 2007 respectively. Our relative EPS performance for the quarter is most notable as the operational comparability shows the benefit of continued cost reductions and the growth initiatives resulted in an EPS growth of 56%.

In summary, our performance through the third quarter was in line with our guidance provided throughout the year. We have seen conversion of growth initiatives in our Energy, Industrial, Specialties and Packaging segments. This has been challenged by end market performance of the Cequent businesses. Yet despite these challenging economic times through these first nine months, we are relatively pleased with the business operating performance.

As for the balance sheet on slide 17, I will discuss a few highlighted accounts for the business. Our reported accounts receivable balance increased \$31 million compared to a year-ago period. But after consideration of the net activity in our securitization program, which represents \$33 million, our performance remains relatively flat to that of 2007. That performance in DSO was more than a 13% improvement versus a year ago.

As for inventory, it increased versus a year ago period by \$19.6 million largely as a result of [trapped] commodity inflation at the period of \$15.3 million. We have seen net reductions of \$2.6 million in the Cequent businesses, offset by needed investments in the Energy segment. We have also funded inventory needs for new product launches, Asia supply-chain efforts, and regional growth requirements. We continue to focus time and effort around purchasing efficiency and gross inventory management to drive net reduction in our inventory levels.

Moving onto slide 18, which details our capital position, our total indebtedness as of September 2008 was \$627 million, which represents a reduction of more than \$23 million compared to June 30, 2008 and a \$42 million improvement versus a year ago. We are particularly pleased with our cash flow from operations for the quarter.

If when we are looking at the underlying performance, that it is to say exclude the effects of the accounts receivable securitization which by its nature is more of a financing activity, one would see a recurring cash provided from operations of \$49 million versus \$18 million in the year-ago year-to-date period which you can find for reference on page 27. This improvement is largely attributable to better overall working capital levels and income from operations.

We ended the quarter with \$142 million of available liquidity under our revolving credit and securitization facilities and nearly \$5 million in cash. We also maintained our significant cushion relative to our financial covenants. Our financial performance as of September 2008 resulted in interest coverage and leverage ratios of 2.66 times and 4.08 times respectively as compared to our covenant requirements of 2 and 5.

It is important to note that our bank covenants allow for the exclusion of certain cost-cutting expenses. We will continue to focus on our liquidity through our operational efforts in working capital, CapEx efficiency, and profit improvement. We also continue to focus efforts to monetize on non-core assets and divesting of non-strategically aligned product lines.

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Given the events of the past few weeks, I would like to remind everyone that we do not have any significant debt maturities until 2012. Our accounts receivable securitization, which is a 364-day facility, is scheduled for a renewal in February of 2009. Overall, we are comfortable with our banking partners we have chosen and do not foresee any challenges with our existing credit agreements.

During the first nine months of 2009, we performed well against the objectives that we included in our outlook at the beginning of the year. Despite this solid performance, the macroeconomic events of October have caused additional demand weakness in certain businesses, most notably our Cequent businesses. Due to these trends and the Company's limited visibility into future demand, combined with yet further actions to reduce production and inventory, commodity volatility, the Company has revised its full-year 2008 diluted EPS from continuing operations guidance range to \$0.71 to \$0.75 per share. Consistent with our previous guidance, we have excluded the effects of special items.

To add clarity, our reduction in guidance was affected by actions we have and will take to continue to address our production levels and inventory possessions. These actions are expected to reduce our inventory by \$10 million and have an EPS effect of approximately \$0.05 per share.

Secondly, the volatility in commodity has added period pressure and will have an approximate effect of \$0.06 EPS. In addition, worsened end markets in our Cequent businesses have affected our forecast by \$0.04 a share as a result in our -- as we reflect in our results, the lower end market expectations. Foreign exchange changes also affected our guidance by \$0.01 a share.

Despite our solid performance today in 2008, we are announcing acceleration of our Profit Improvement Plan. The Company has reduced segment fixed overhead as a percent of sales by 160 basis points over the past five years from 20.1% in 2003 to 18.5% in 2008 in efforts to drive value in our existing businesses.

The reductions have come from the consolidation of facilities, staffing, and other general productivity. We will continue our efforts to structure the business to better align with the newest commercial realities. This will result in a simpler, more streamlined organization and in doing so we will take significant action to reduce fixed overhead costs across the corporation. But most notably, in the Cequent set of businesses.

As we target efficiencies needed in our fixed cost structures, we will focus on areas that will include the consolidation of distribution, manufacturing facilities, reductions in staffing levels, and efforts to simplify our business activities. We will simplify our businesses to drive focused productivity and support their end markets. The investments are already completed and low cost of production areas will be leveraged even more greatly as we execute our plans.

We anticipate our plans will reduce our fixed cost spending to realize \$15 million in savings in 2009 versus the 2008 spending levels. This will equate to a run rate savings level in 2009 of approximately \$20 million. To realize the 2009 savings, the corporation will spend between \$7 million and \$9 million in restructuring costs. That does not contemplate asset write-offs. At this point, we believe those amounts are not material.

Our Profit Improvement Plans are expected to realize \$30 million as we complete the implementation of these actions through 2010. We remain committed to making our businesses more profitable and yet better positioned to capitalize on opportunities upon the resurgence of the economy.

At this point, I would like to turn it back over to Grant, our CEO, for closing commentary.

Grant Beard - *TriMas Corporation - President and CEO*

Thanks, Mark. As Mark indicated, we are faced with the challenge of balancing our growth initiatives with aggressive cost reductions and productivity improvements. As you know, we have been actively reducing our cost and footprint within TriMas.

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So commitment and action are not an issue. We have already consolidated over 12 plants, 16 distribution locations and established key facilities in low-cost environments.

We've established centralized purchasing functions and set up offshore buying offices with approximately \$130 million of our product being sourced from low-cost countries. We have reduced overhead and administrative costs in this business.

The point is TriMas has made significant investments already that will allow us to drive our next set of profit improvement initiatives that Mark spoke to without great disruption or risk. And we believe that these will yield \$30 million of additional fixed cost reductions by 2010. These actions will enable us to mitigate the current challenges of a volatile macroeconomic market and at the same time drive enhanced results in the future. TriMas is committed to not only manage as required but position our portfolio for substantial margin and earnings expansion as the economy recovers.

So in the meantime, we will continue to focus our capital on strategic growth initiatives with our focus on value creation opportunities and growing end markets of specialty packaging, energy, aerospace, and medical components.

We will continue to deploy capital prudently. We have already begun to reduce working capital levels in the Company and are positioning to monetize non-core properties in assets to bolster our balance sheet. We recognize the debt levels in our Company are significant and while indebtedness is declining, we are committed to protecting our liquidity. We expect our initiatives to continue to generate strong free cash flow, strengthen our balance sheet, and first and foremost, preserve our opportunities.

In summary, we are taking steps to minimize the downside risk of uncertain markets while investing in growth in those markets that we believe will outperform the economy. We have a good portfolio of businesses supported by great brands and talented people. While the near term has become more challenging, we will continue to make progress on our long-term growth strategies that will drive enhanced shareholder value into the future.

At this point, I would like to open up the call for questions, Chris. And perhaps you could do that.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Tom Klamka, Credit Suisse.

Tom Klamka - Credit Suisse - Analyst

Excluding Cequent for the time being, the other businesses all did very well in the quarter which is great. You seem to be also very bullish on their prospects for 2009, even though those end markets aren't doing that well. I guess maybe you can reconcile that for us. How do you see a bullish revenue outlook in the face of what we're looking at in the economy?

Grant Beard - TriMas Corporation - President and CEO

I think, Tom, that bullish is a strong statement. I think that we expect the opportunity to have moderated growth and I think that growth will be more challenged in '09, but I think as we push our product initiatives, our international expansion, as we continue to take our group like packaging more and more into food and beverage and medical as we continue the conversion of our specialty cutting tools into medical, as Lamons Gasket continues to follow the major oil producers with its service model into Europe and Southeast Asia, we think that those groups have the opportunity to continue to expand even the market that they are in. I think bullish would be too strong an adjective.

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Tom Klamka - *Credit Suisse - Analyst*

But you still see positive revenue comparisons in those businesses next year?

Grant Beard - *TriMas Corporation - President and CEO*

We see the opportunity to do that, yes.

Tom Klamka - *Credit Suisse - Analyst*

Okay, can you talk a minute about energy? The growth there in the last couple quarters has been very strong. Now that natural gas has come down, some of those buyers are a little more circumspect. What do you see happening there?

Grant Beard - *TriMas Corporation - President and CEO*

I think that group has certain characteristics to it, Tom. The great majority of what we are selling are MRO or replacement components into a utilization environment. So while commodity prices moving down have impact, you're running those petrochemicals or those oil refineries really don't necessarily care what the commodity prices are. We see continued support for those MRO products that we are selling into Dow and Exxon and the like. And we see a great deal of commitment by those companies to take our business in a sense outside of North America, which is all incremental opportunity for us.

On the -- at the well site, clearly as commodity prices retract, capital spend should soften. Our backlogs at current moment would not suggest that has impacted us yet, but we recognize that the relative strength in '09 might be softer than '08. That said, we think that the movement we are doing in our well site expansion compression and metering and accumulation products is really gaining great acceptance and we really do sell into the lowest of capital spend buyers in the market and we still see a lot of strength there.

Tom Klamka - *Credit Suisse - Analyst*

Can you talk about what you saw in October and currently in November versus sort of the trend in September?

Grant Beard - *TriMas Corporation - President and CEO*

You know, I've got to tell you really coming through the quarter of the third quarter, we saw really quite a good -- quite a strong sense of strength everywhere and I think the financial markets and the news were so dramatic in October, I think that there was just a collective pullback almost everywhere. And I think it's going to manifest itself mostly on top of our Cequent businesses, but we saw the world pull back. And I'm sure you saw that in many of your other companies.

And that led us to really reduce not only our revenue expectations for the quarter, but really immediately move into lowering inventories and taking hours out of the quarter, which had an immediate impact on our ability to support our guidance or our expected earnings level. But we want to do what's right for the company and we thought that that was prudent.

Tom Klamka - *Credit Suisse - Analyst*

Okay, great. Thank you.

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Operator

John Inch, Merrill Lynch.

John Inch - Merrill Lynch - Analyst

I wanted to ask you about the securitization program. Have the terms of that program really changed? As you guys look ahead, do you think the opportunity to continue to securitize your receivables is going to be there? Just kind of how should we think about that vis-a-vis the balance sheet and your prior comments?

Mark Zeffiro - TriMas Corporation - CFO

John, this is Mark. With respect to the securitization program, as I mentioned, it's up for renewal in February. We've already started conversations with the current provider and are looking at others to that end. At this point in time, the cost structure of it has been equivalent to where it was previously as you knew it was CP plus 105 basis points. Relatively stated, it's more comparable to our revolver-related debt levels in terms of the cost structure as of right now.

So I don't expect it to go away, John, but it will be rebid and retasked with its renewal in February.

John Inch - Merrill Lynch - Analyst

Mark, how should we -- as kind of we put all of this into a bucket -- how should we think about your ability as a company to continue to finance and possibly even take some market share, your own working capital going forward? Is that something we need to be concerned about or is it something you can adjust sort of concurrently? How do we think about that?

Mark Zeffiro - TriMas Corporation - CFO

What I would do is -- your question is a good one, John. We expect that this availability for us in terms of our overall liquidity will remain and in that end, that's the way you should plan for it.

John Inch - Merrill Lynch - Analyst

But maybe if anything just the terms get a little bit more expensive, right? Is that the way to think about it?

Mark Zeffiro - TriMas Corporation - CFO

Possibly yes.

John Inch - Merrill Lynch - Analyst

Okay, then Mark or Grant, just historical backlogs during downturns, can you just refresh us again what typically plays out? I understand your energy business probably has more proportionately August backlog, but how about some of those export businesses and other things? How would you sort of characterize the backlog and risk to backlog heading into next year based on what you've seen thus far?

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Grant Beard - *TriMas Corporation - President and CEO*

Yes, John, our Company by and large does not have the luxury of big backlogs in the best of times or the challenged times. So we have visual backlogs in our energy and aerospace and where a small amount of our revenue base as you know is in an OE environment. But most of our order intake is in a fairly short window which has ups and downs. It may make us more nimble, but it also makes projecting revenue a little bit more challenging.

So we don't have a big backlog that's subject to being canceled, but we don't have a big backlog that really lends us to have a lot of visual.

John Inch - *Merrill Lynch - Analyst*

But what backlog you have, Grant, does it traditionally does it hold in during recessions or does it fluctuate?

Grant Beard - *TriMas Corporation - President and CEO*

Well, I think it depends where it is. For us, aerospace and our growing applications through our new product initiatives are holding up. Our backlogs there have never been stronger and I think we've got a little countervailing thing happening in energy as well. We have so many new products coming out and we are pushing ourselves into new markets that that might be masking some other demand slowdowns. So where we have backlogs, we've not seen retrenchment.

John Inch - *Merrill Lynch - Analyst*

Thank you very much.

Operator

[Fred Taylor].

Fred Taylor - *Analyst*

Quick question and maybe you've touched on it a little bit, but you mentioned commodity inflation and inventory. As that settles down, does it kind of go the other way that you've got to push through some higher-priced inventory into next year's sales? Might we see a reduction in gross profit margin?

Mark Zeffiro - *TriMas Corporation - CFO*

That is what is contemplated directly in our earnings guidance right now, Fred. If you were to think of it on a FIFO basis, we have some higher cost inventory that will hit in Q4.

Fred Taylor - *Analyst*

Thank you, that's all I had.

Operator

Walter Liptak, Barrington Research.

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Walt Liptak - *Barrington Research - Analyst*

Good morning, guys. My question is about the covenants for 2009. I wonder if you could refresh us on what the bank EBITDA targets are and some of the bank covenants, what they adjust to?

Mark Zeffiro - *TriMas Corporation - CFO*

Our covenants stepped down as of -- correct me where I'm wrong -- Q3 to 4.75 and then at year-end, another 25 basis points to 4.50, Walt.

Walt Liptak - *Barrington Research - Analyst*

Okay, so Q3 of '09, right?

Mark Zeffiro - *TriMas Corporation - CFO*

That's correct.

Walt Liptak - *Barrington Research - Analyst*

Okay and overall, are you expecting with the performance improvement program a revenue decline in 2009 considering that --? It sounds like you're looking for the tale of two cities where you've got some segments up and then the Cequent business is down.

Grant Beard - *TriMas Corporation - President and CEO*

You know, Walt, I think that where we've seen growth and where this company has its greatest margins, we will continue to see relative strength and relative opportunity. I think the end sort of consumer market exposure that we have through our product offering in Cequent, we believe especially in North America will continue to be weak. And that is why we are looking there to in a sense right size the business to its revenue levels.

We are market leaders, we've got good companies here, but we have to have those business sort of right sized for our market. I just don't see in the short term a catalyst for the US consumer to really step up there.

Walt Liptak - *Barrington Research - Analyst*

Okay, yes, I don't think anybody does. But what kind of -- you are obviously going to forecast through '09 what you think those Cequent businesses can do. Are you expecting them to drop another 10% in '09?

Grant Beard - *TriMas Corporation - President and CEO*

You know, that's a great question. We came into this year and we've been about 10% down across a market that has had metrics of probably twice that amount. And I think that we will continue to see support for our product initiatives and our bundling and our aggressiveness out in the market. But I think the market will probably be down another low double-digit realm.

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I think what that does, it isn't so much that you will see it directly impacted in our revenue. It just changes the complexion of what we sell. We sell down then to the more accessory, [fitment], non-customized product offering, which is less profitable. So for us, it will put more opportunity I will say it that way to lower working capital levels and give us a chance to consolidate into frankly the investments we have already made in our low-cost environment.

Walt Liptak - *Barrington Research - Analyst*

Okay, great. Thanks for that.

Mark Zeffiro - *TriMas Corporation - CFO*

Walt, I would also add to that is if you think about 2009 as other companies maybe not TriMas, have seen harder financial outcomes. You know, the brands that Grant talks to have equity and commercial equity and what we are finding obviously is people have a flight to our quality of equity, namely the brands that we carry. So I would expect also to see an increased demand if you will not at large, but an increased demand for our sets of products and our brands.

Walt Liptak - *Barrington Research - Analyst*

Okay, that would be nice. I wonder if you could talk about the cost reduction a little bit and the \$15 million expected in 2009 lower cost structure. Is that going to show up in manufacturing expenses being lower, or is it SG&A overhead or a combination, and what would the combination be?

Mark Zeffiro - *TriMas Corporation - CFO*

It's a combination of both, Walt. If you are to look at the Cequent set of businesses, they will likely show probably better or more significant reductions in the gross margin contribution, if you will. The manufacturing side of the house. There will be SG&A effects as well, though. I would say it's largely going to come through in terms of a gross margin effect.

Walt Liptak - *Barrington Research - Analyst*

Okay, thanks, guys.

Operator

Alan Weber, Robotti & Company.

Alan Weber - *Robotti & Co. - Analyst*

Good morning, a few questions. One is when you talk above the program for '09 for cost reductions, what is the cash outlay for that?

Mark Zeffiro - *TriMas Corporation - CFO*

Alan, our current look is between \$7 million and \$9 million would be largely cash. It will include severance. It will include obviously the cash equivalents of people migrating facilities to a new location.

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Alan Weber - *Robotti & Co. - Analyst*

And at this point, what do you expect CapEx to be for the balance of this year and for '09?

Mark Zeffiro - *TriMas Corporation - CFO*

CapEx for the full year, we are still looking at 3% of sales, Alan. That would give us the ability now as we're coming down through the rest of the year is we've got our sensitivity on, ensuring that 3% is really needed versus just the wants of the business. So we are being conservative in that respect.

Grant Beard - *TriMas Corporation - President and CEO*

I think on an outlook basis, we spend on average about 3%. About two-thirds of that is directly related to the revenue initiatives. So in a sense, it's fairly manageable. And about one-third of that is sort of directly related to maintenance of PP&E and whatnot. So if the end markets prove to be weaker, we can choose to spend less, and we are a very sort of capital efficient organization.

Alan Weber - *Robotti & Co. - Analyst*

Okay, then of the cost savings that you're talking about, what percent is going to be in the Cequent business?

Grant Beard - *TriMas Corporation - President and CEO*

I would say without getting ahead of ourselves, a fair majority. And I think that evolution for these businesses are not to be five discrete businesses any longer, but allow them to migrate into one operating group over the corresponding 12 to 24 months which will allow us -- which would and you will see a steady stream of announcements coming which is going to allow us to share manufacturing facilities, share distribution, share back offices and really lever some of those investments in the company.

But I will say that we are looking at our total G&A environment and looking across our whole portfolio as ways to simplify and take non-value add costs out. We have been a big proponent of letting these businesses live in discreet environments and we think that there is leverage opportunities in a sense in the lowest form of transactional costs that we can commonize or centralize in the company.

Mark Zeffiro - *TriMas Corporation - CFO*

Without affecting obviously the commercial or the equity side of each one of those businesses. So that will be the focus area, Alan.

Alan Weber - *Robotti & Co. - Analyst*

Okay, my final two questions were I think you said that \$130 million of products are now sourced from low-cost countries?

Mark Zeffiro - *TriMas Corporation - CFO*

That's correct.

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Alan Weber - *Robotti & Co. - Analyst*

What do you think that would be in two or three years?

Grant Beard - *TriMas Corporation - President and CEO*

That's a good question. It will be more and it will be a combination of sourced and manufactured product through our own facilities. I regretfully -- we will continue to migrate workers in our exposure to expansive workers in North America or least in the United States and Canada. I can't give you a specific number, but several years ago it was next to nothing and we've moved very quickly and I think that we continue to see opportunities from -- as a cost arbitrator to move more.

Alan Weber - *Robotti & Co. - Analyst*

I guess my final question has to do with kind of the balance sheet and capital structure. Given where your bonds trade, is there anything you can do in terms of buying back bonds? Or any thought process like that or just kind of if you generate cash, what is the use of the cash?

Mark Zeffiro - *TriMas Corporation - CFO*

That's a great question, Alan, and we've had internally a significant number of discussions as we continue to generate this free cash flow. How do we want to deploy it? Instead of just paying down revolver, is there an alternative here whereby we could maybe even buy back some of those bonds. That will be something as we continue to generate free cash flow and as the bonds are available at this discount, we will seriously look at.

Alan Weber - *Robotti & Co. - Analyst*

Okay, great. Thank you very much.

Operator

[Joe Fox], KeyBanc Capital.

Joe Fox - *KeyBanc Capital - Analyst*

Good morning. Can you guys just talk a little bit more about the cadence of your restructuring plan? Is that something that you guys are actively pursuing right now and maybe we would start to see some of the benefits in early '09? Or do you think that that's going to be something where the majority of the benefits are going to come in the back half of the year?

Grant Beard - *TriMas Corporation - President and CEO*

No, this is really something that was sort of in a sense happening anyway and I think that you will see a steady series of announcements even in this remaining part of this quarter that will reinforce our commitment to the things that will add up to these numbers. So the short answer is we are implementing actions as we speak that will support those levels of savings and we may expect to see them not just in the back half of the year but throughout the whole entire '09.

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Mark Zeffiro - *TriMas Corporation - CFO*

Joe, if you were to think about it, in order for us to realize \$15 million worth of costs in 2009, and think about the size of the fixed cost structure, that means that we have to move fast. So you are going to see -- you will see not just a Q4/Q3 kind of lumpiness for 2009, but you will see stuff in the front half.

Joe Fox - *KeyBanc Capital - Analyst*

Great, that's helpful. Also if we assume that the weakness at Cequent persists into 1Q '09, which it sounds like you guys believe it will, as you look at the outlook for the other three segments in conjunction with your cost reduction efforts, do you think it's reasonable to see EPS above 1Q '08 levels?

Mark Zeffiro - *TriMas Corporation - CFO*

You know, that's a great question, Joe, and I would love to be able to talk details in terms of 2009 guidance at this point. We are still in the throes of our budgeting process and looking yet the effects of this Profit Improvement Plan for Q1 '09 that we are just -- we are not quite ready to share with that.

Joe Fox - *KeyBanc Capital - Analyst*

Fair enough, I thought I'd ask. Also, was there any impact to Monogram during the quarter due to the Boeing strike?

Grant Beard - *TriMas Corporation - President and CEO*

No.

Joe Fox - *KeyBanc Capital - Analyst*

Okay, and we've been hearing of some uncertainty in the supply chain due to production scheduling for the rest of the year. Is that something that you have seen specifically from Boeing?

Grant Beard - *TriMas Corporation - President and CEO*

So far so good on our part. There has been some disruption in products that are outside of our offerings that have gotten some press. But no, we've not seen anything other than support for what we are doing.

Joe Fox - *KeyBanc Capital - Analyst*

Okay an last question, then I'll turn it over. I think it was Grant that mentioned earlier there you were going to explore some divestitures of non-core businesses. Can you possibly give us an idea of what those might be?

Grant Beard - *TriMas Corporation - President and CEO*

We can't, but I will say that we are committed and we are currently in the process of looking at assets that we believe are non-core and if we can be successful in getting those done, we would take any net proceeds and drive them to debt reduction. So we recognize our balance sheet. We want to preserve our flexibility and our growth initiatives and that's certainly an avenue that we are open to and are working hard on. But a little premature but stay tuned.

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Joe Fox - *KeyBanc Capital - Analyst*

Thank you, guys.

Operator

Sarah Thompson, Barclays Capital.

Unidentified Participant

Good morning, it's (inaudible) going in for Sarah. Just a couple real quick questions. The \$7 million to \$9 million disbursement for the restructuring charges, what's the timing of that?

Grant Beard - *TriMas Corporation - President and CEO*

Sorry, who was that again?

Unidentified Participant

It's Dory.

Grant Beard - *TriMas Corporation - President and CEO*

Okay, Dory. What will happen, Dory, is we will see some of that hit Q4 and what I would say is about half of it you'll see in Q4 and the rest of it will be spread out over 2009.

Unidentified Participant

Okay, just one last question. Do you guys have an EBITDA target for the year?

Mark Zeffiro - *TriMas Corporation - CFO*

No, we don't have an EBITDA target for the year.

Unidentified Participant

Thank you.

Operator

Follow-up from Tom Klamka.

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Tom Klamka - *Credit Suisse - Analyst*

Mark, could you just give us the balance of the revolver and term and then also if you could split that \$141 million of availability between the revolver and the receivables facility?

Mark Zeffiro - *TriMas Corporation - CFO*

Tom, give me one second. That's a great question. I've got that here. We are talking about at the end of Q3, correct?

Tom Klamka - *Credit Suisse - Analyst*

Yes.

Mark Zeffiro - *TriMas Corporation - CFO*

The balance on the term loan was \$254 million, thereabouts, Tom. And in terms of that availability, the securitization is probably net of the balance we had at Q3 of \$11 million. I would say it's probably \$50 million-ish and the residual would be revolver.

Tom Klamka - *Credit Suisse - Analyst*

Great, thank you.

Operator

A follow-up from Walter Liptak.

Walt Liptak - *Barrington Research - Analyst*

Thanks, I wonder if you can give us some help on the '09 tax rate. Is there anything moving around?

Mark Zeffiro - *TriMas Corporation - CFO*

No, consistent tax rate with total year 2008 as well. What we just saw is we just had to adjust a bit in Q3 as respect to the shift in our overall income projections for the year. So 36%, 37% is if you are doing your modeling for 2009 is a reasonable assumption.

Walt Liptak - *Barrington Research - Analyst*

Okay, when we think about free cash flow for 2009 excluding what might happen with net income, do you expect to generate similar free cash flow in '09 or is it -- or because of inventory drawdown a better free cash flow year?

Grant Beard - *TriMas Corporation - President and CEO*

Well, we are not really ready to give guidance, but we are certainly committed to driving free cash flow to strengthen our balance sheet and preserve our initiatives. But we are not quite ready to give guidance.

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Walt Liptak - *Barrington Research - Analyst*

Okay. All right, fair enough. Thanks.

Operator

Thank you. There are no further questions in queue at this time. I would like to turn the conference back over to you for any closing remarks.

Grant Beard - *TriMas Corporation - President and CEO*

Okay. Thank you, Chris, and thank you for your time and patience through our call today. I think in closing, I would say that TriMas had a solid third quarter. We had a year in which debt was reduced, cash flow has certainly improved, and net earnings have increased. Our cost reduction initiatives certainly are putting pressure on the earnings in the fourth quarter of this year and potentially into the quarter of next year, but are going to set this company up for enhanced performance as we move forward.

I hope you recognize that we continue to focus on the value creation growth opportunities in concert and consistent with removing fixed costs and decreasing debt in our company. We believe TriMas is an excellent company populated with very talented people with a wonderful future in front of us.

So we thank you for your time and your support and look forward to talking to all of you soon. Thank you.

Operator

Ladies and gentlemen, this does conclude today's conference. We again thank you for your participation. You may all disconnect at this time. Good day.

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