

# FINAL TRANSCRIPT

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## TRS - Q4 2008 TriMas Corporation Earnings Conference Call

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## CORPORATE PARTICIPANTS

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*TriMas Corporation - IR*

**David Wathen**

*TriMas Corporation - Pres, CEO*

**Mark Zeffiro**

*TriMas Corporation - CFO*

**Bob Zalupski**

*TriMas Corporation - VP of Finance*

## CONFERENCE CALL PARTICIPANTS

**Tom Klamka**

*Credit Suisse - Analyst*

**John Sykes**

*- Analyst*

**Karen**

*Merrill Lynch - Analyst*

**Eric Rhettinburg**

*Cinicom - Analyst*

**Jordan Hollander**

*Jefferies & Co - Analyst*

**Alan Weber**

*Robotti & Co - Analyst*

**Matt Bitorio**

*Barclays Capital - Analyst*

**Walt Liptak**

*Barrington Research - Analyst*

**Joe Fox**

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## PRESENTATION

**Operator**

Good day, ladies and gentlemen. Welcome to the TriMas fourth quarter earnings conference call. At this time, all participants are on a listen-only mode. (Operator Instructions) .

I would now like to introduce your host for today's conference, Sherry Lauderback, Vice President of Investor

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**Sherry Lauderback** - *TriMas Corporation - IR*

Thank you. Thank you and welcome to the TriMas Corporation fourth quarter 2008 earnings call. Participating on the call today are David Wathen, TriMas President and CEO, and Mark Zeffiro, our Chief Financial Officer. Also with us today is Bob Zalupski, Vice President of Finance Operations. Dave and Mark will review TriMas fourth-quarter and year-end operating and financial, in addition to providing Company's outlook into 2009. After our prepared remarks, we will then open the call up to questions.

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To facilitate this review of our results we have provided a press release and PowerPoint presentation on our company website [www.trimascorp.com](http://www.trimascorp.com) under the investor's section. In addition, a replay of this call will be available later today by calling 866-837-8032. With an access code of 287405.

Before we get started, I would like to remind everyone that our comments today 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 form 10-Q that could cause our results to differ than those anticipated in any forward-looking statements. Also, we make no obligation to publicly update any forward-looking statement 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 would like to turn the call over to David Wathen, TriMas President and CEO. Dave has been our CEO for approximately eight weeks and has been very busy implementing new initiatives and many new processes. We will start with Dave's remarks on his first two months at TriMas.

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**David Wathen** - *TriMas Corporation - Pres, CEO*

Thank you, Sherry. I feel these first two months have been very productive and I'd like to share with all of you why I say that. I show on page three, I traveled to and visited with all our businesses in North America. I've walked through most of our factories, our warehouses and assembly centers and I've met many of our people. We have rolled out our new TriMas business system with processes for strategic planning, people plans, review methods and a pay-for-performance incentive system that ties it all together. We have also installed a long-term incentive strategy that rewards key operating managers for the long-term appreciation of our stock. I have had the opportunity to conduct quarter reviews of each SBU in February and actually recycle through the process to lockdown the actions that we needed to manage through this recession.

My initial observation is TriMas has quite a good set of businesses, some better than others, of course. We have many very strong products that are technically differentiated and we have some market leading delivery methods. I met many people who are very good at what they do and very dedicated to TriMas. The good news is there is also lots of upside. As you know, I spent the first 20 years of my career at GE Emerson Allied Signal and I'll always have a mind set of continuing total cost productivity. Month by month, quarter by quarter, year by year. We will boost this activity at TriMas. I walk through a lot of warehouses with too much inventory. You'll see us bringing every tool to bear on improving turns and cash flow and inventory metrics are in each management team's incentive target now. And resources of people and capital are always precious and our new business process will fine tune what we do and don't do in programs for growth, new products and cost out.

Our task at hand is clear. We are being brutally objective about this recession. When I think back to previous recessions, I was a GE purchasing manager in a large industrial business during the '81 recession. Then Emerson division president during the downturn in 1991 and Eaton group executive for the 2000 recession. Those were good training grounds for being brutally objective and taking necessary actions. At TriMas with ten different businesses, the task is to intelligently decide what actions are applicable in each business unit and headquarters and then take those actions objectively and rapidly. We have done that and when we come back to our outlook comments, we will show you some of the highlights and results and why we believe we have an operating plan to come through this recession leaner and stronger. Now, I'd like to hand over to Mark to recap fourth quarter and full year 2008.

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**Mark Zeffiro** - *TriMas Corporation - CFO*

Good morning. Thank you, Dave. I'm start my commentary with respect to our Q4 results on page five. You'll note that sales for the quarter were 213 million, which represents a decline of 4% versus the year ago period. Absent the effects of foreign exchange, this decline was 1.2% for the period. We saw continued strength in our Industrial Specialties and Energy Products businesses offset the declines recent experience in our RV Trailer Products and Recreational Accessory segments, which we collectively refer to as Cequent.

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Despite the revenue decline for the quarter, our Q4 2008 adjusted EBITDA excluding the effects of special items increased 33.7% compared to 2007. This significant improvement was largely attributable to the strength of our Energy Products and Industrial Specialty segments' performance. Please note, my commentary related to our year-over-year performance, excludes the impact of certain items relating to restructuring cost reduction actions, the use of our IPO and other one-time charges that are included in our results under GAAP but which are separately considered in evaluating our real operating performance. These items are described more fully in our earnings press release in the appendix to the earnings call presentation materials.

In Q4 2008, we did recognize an impairment of goodwill and our intangibles based upon the results of our annual impairment testing. The impairment totalled 172.2 million pretax and was driven by the impact on the Company's businesses on the climbing end market and significant decline in the global financial markets. This charge eliminates all remaining goodwill for the RVT and Recreational Accessory segments and also recognizes the implications of our current stock price. This is a non-cash impairment charge and does not affect our access to our revolving credit or receivable securitization facilities. Excluding the impact of special items, income for the quarter was nearly \$3 million. This result reflects our continued efforts to reduce our cost within the businesses and at a corporate level. In addition, our higher margin energy and aerospace business contributed a proportionately greater share of our operating profit, offsetting in part the comparatively weak performance of our Cequent businesses in the quarter. In addition, we benefited from reduced interest costs resulting from lower rates as well as a gain on retirement of debt.

Moving on to page six, there are other business events we would like to highlight. During Q4 2008, we announced the sale of certain assets of our Packaging System segment. These assets were sold for \$21 million in cash proceeds as previously disclosed. Commercially in the quarter, we continued to grow by expanding new offerings in our aerospace businesses and securing global contracts with several large customers of our specialty gasket business. We also had two notable wins in our Cequent set of businesses. Our consumer products business received a significant New Business Award from Wal-Mart and our Australian business was awarded new business in Thailand. These commercial wins do come against a backdrop and market declines consistent with our current economic realities.

As for 2008, full year results please refer to page eight. For the year 2008, our sales increased by 1.8% to a total of 1.21 billion. This increase was driven by strong sales performance in our Packaging Systems, Energy Products and Industrial Specialties business segments, which grew at an aggregate rate of 15%. This growth was offset by an overall decline in our Cequent businesses at 12% in the year as compared to 2007. However, the decline does represent reasonable performance relative to end market declines of more than 20%. SG&A comps for the year approximated \$166 million or 16.3% of sales, which represented a spending decline of about 4.2% and 103 basis point improvement versus the year ago period.

Increased spending in our support of growth initiatives and our Energy Products and Packaging Systems segments was more than offset by significantly lower spending and Recreational Accessory segment primarily as a result of the further consolidation and warehouse and distribution network of our Towing Products business. We continue to drive costs out of the business while investing in certain growth markets. Excluding the effects of special items, adjusted EBITDA, income, and EPS all improved relative to the year ago period. Of particular note, income for the year 2008 of 29.9 million represented an increase of 45% versus the year ago period. Significant improvements in operating profit of our Energy Packaging and Industrial businesses which increased 15% year over year were more than offset by declining profitability of our Cequent businesses, principally in north America. We also benefited from lower corporate office costs as a result of our mid-year restructuring and reduced interest costs given the pay down of debt with IPO proceeds and lower interest costs in the back half of 2008. Earning per shares of \$0.89 for the year increased 24% on a comparable basis. We closed the year with \$132 million in cash and aggregate availability under our revolving credit and receivables facilities.

Now, turning to other financial highlights on page nine, I will largely focus on cash flow and relative debt performance. To emphasize, TriMas has a set of businesses that have good fundamentals with respect to cash generation performance. Excluding those special items are conversion of income to free cash flow was greater than 140% for 2008. And represented an increase of \$22 million from the year ago period to \$41 million. All business segments were cash flow positive for the year and demonstrate potential for even better cash performance in 2009. We closed the year with debt and funding under our receivable of

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securitization of \$630 million. A decline of \$27.5 million compared to a year ago. Our leverage ratio was 4.1 six times, versus the covenant requirement of five. Operating working capital for the year did increase by \$13 million to 179 million in 2008 versus year end 2007. This increase was partially a result of net inventory increases due to commodity cost inflation and lower payables levels versus 2007. Working capital remains a focus area for all businesses and our management team and we expect reductions in working capital to be a greater source of cash in the coming year.

Over the next few pages starting at page 11, I will highlight segment performance for 2008. To briefly review our diversification, the Packaging Systems, Energy Product and Industrial Specialties business segments represent nearly 60% of our revenue and 90% of our operating profit. These businesses grew sales and operating profit at nearly 15% in 2008. Turning to page 12, the first segment I would like to review is Packaging Systems. Sales for 2008 were \$161 million which represents an increase of 6% versus 2007. The increase in sales was a result of consumer oriented specialties event dispensing products growth. Operating profit improved for the year to \$31.7 million, an increase of 3%. Our support of growth initiatives and delayed price actions in response to commodity cost increases pressured our relative profitability in 2008 by approximately 60 basis points.

Moving on to page 13, the performance of our Energy Products segment is operating highlight for the year with sales growth of 31% to 214 million and operating profit improvement of 45% or \$10 million with 33.1 million. Operating profit margins for these businesses improved 150 basis points to 15.5% for 2008 as a result of leverage in new product margins. These businesses continue to expand product offerings and grow geographically and successfully implement global contracts. The performance of our Industrial Specialties segment is highlighted on page 14. Net sales increased 8.4% in 2008 to \$222 million, which was substantially supported by growth in our Aerospace Fastener business driven by market demand and also product extension. The Defense business also saw increased demand for our military shell casings during the period. Sales growth in these businesses was in part offset by reduced demand and specialty fittings and industrial cuttings tools businesses, which track more in line with GDP. Operating profit grew in relation to the sales expansion.

Turning to Slides 15 and 16, which I would like to discuss collectively as our Cequent set of businesses. Our RV and Trailer Products and Recreational Accessories segments declined by 12% in 2008. The sales performance of these businesses have continued to outperform their end markets. However, the sales decline has resulted increased pressure on operating profitability. Operating profit for the businesses declined \$23.2 million in 2008 to 11.6 million or 66% versus the compared 2007. The decline in profitability was a result of a high degree of negative leverage on sales decrease between years and a less profitable sales mix overall. Despite this performance, these business units generated positive cash flow for the year of approximately \$25 million and are positioned for yet better performance in 2009.

The reality of these businesses end markets and resulted impact on profitability has only accelerated our restructuring efforts to simplify our business processes, consolidate productivity and leadership. Our efforts will allow for continued market leadership and a stronger business upon end market recovery. Now, that concludes my comments with respect to 2008. Dave, would you like to take us through 2009?

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**David Wathen** - *TriMas Corporation - Pres, CEO*

Thanks. I'd like to start on page 18 with a review of our TriMas vision statement and our operating principles. Then, I'd like to summarize what we are seeing in our end markets. Mark will update you in our actions we have taken in our profit improvement plans and value creation activities. Then, I will wrap up with a recap with our TriMas priorities that drive our operating tactics.

It is useful to remind ourselves and you of our vision and operating principles. We provide applied technology that customers in growing markets need and will pay for. We build and run agile businesses that provide high returns on capital. Of course, this implies some things. We aren't in commodity products. We do try to serve customers who need our technical solutions and recognize the value we provide. We manage in ways that keep our SBUs fast and focused and finding high return programs. Our operating principles support our vision. We continually improve our cost position. We prefer to compete with cycle times in everything from speed of production and filling customers needs, to how fast we develop and sell new products. We are

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thoughtful with allocating resources and strike the right balance of spending among new products, expansion, productivity and acquisitions. We find ways to benefit from TriMas' overall size without slowing down our businesses. And we follow principles and practices to make TriMas an attractive place to work.

Going on to the end markets on page 19, I would like to share what we are seeing and how we are reacting to the negative head winds. In packaging, remember that our business designs and makes many kind of dispenser enclosures and not containers. Because of redesigns by customers there is a constant cycling of new designs and product launches, so our people are busy. But of course the end markets are flat in total with a few bright spots in medical and pharmaceutical applications. In packaging, we differentiate with technology, plus we keep adding products and, in fact, we just started shipping dispenser products that are new for us built on a set of machinery and tooling that we bought out of a bankrupt competitor.

New products will help us fight the negative head winds. We serve energy markets in our aero and layman's businesses and overall we are two-thirds MRO and one-third new site work. Both are down, although refineries and chemical processors still have to do rebuilds and modifications. Aero, our engines and well site products SBU is being hard hit by the drop off of new oil and gas wells in the US and the fact that some new wells are being capped without installing new well site equipment. To buck this head wind, aero is adding new products after folding in a small acquisition that added certified welders and fabricators to expand our line of well site equipment. At Lamons, our gasket and hardware business, the upside is all in geographic expansion of our Company stores. You will recall that these satellite operations serve fast turn around needs at nearby refineries and processing plants. China is up and running. Rodderdam is coming on stream and next quarter we will have an additional North America site.

We have a set of hardware machining forming and fabricating businesses that we call Industrial Specialties. What they have in common is they don't make anything that could be called a commodity. We are in the business of designing special devices that solve our customers' problems, whether it be fastening, connecting, machining, fixing or attaching. Lots of high tech materials. Difficult processes. And precision production methods. From a market perspective, luckily Monogram serves Boeing and (Inaudible) who keep producing because industrial markets are down all over. The bright spot is medical but we are small in this. I've had good experiences with serving medical markets, so I tend to invest here. In fact, one of the few capital expenditures that I have approved this year is to add precision grinders for a medical product where we have the orders, so long as we can produce. And that's really the action for us in Industrial Specialties. Adding new products and some cross pollinating of technical skills between the business units.

In our RV Trailer and Accessory business, which we call Cequent, it is all about restructuring and right sizing. Our markets were down 20% last year and could be down that much again in 2009. We are consolidating three of our SBU's into one. We are consolidating and closing facilities. Moving more work into low cost production areas. Consolidating warehouses and we have lean projects underway in the remaining facilities. Our fixed head count in this business unit is down 25% in 2009 versus '08. We are also redesigning our product offerings to reduce our part number count for simplicity and we have done pricing analysis to identify fixes for the lowest margin products and customers. So we are using this recession to streamline, cost reduce and commonize this whole batch of previous acquisitions into the lean, agile, high turn business that it needs to be.

Of course, there are bright spots. Cequent retail business unit keeps gaining shares of customers like Auto Zone and Wal-Mart and our Thailand plant which operates as a satellite of our Australian business is just now ramping up a batch of new products to fill new orders. Overall, we will see TriMas' sales down in 2009, 10% to 20% and we are operating to the pessimistic side so have taken cost out to allow us to hold the key metrics of SG&A percent flat to last year and EBITDA percentage will be up from last year on our sales forecast. We intend to come through this recession leaner and stronger. Now, Mark will share some of these cost out projects and more importantly, what we are doing to ensure compliance with our debt covenant.

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**Mark Zeffiro** - *TriMas Corporation - CFO*

Thank you, Dave. Our profit improvement plan is summarized on page 20. In November 2008, we announced specific to realize the first \$6 million in 2009 out of a goal of 15 million in realized savings for that same period, that being 2009. This goal has subsequently been revised. In the past two months, our team has redoubled their efforts to advance all activities in 2009 and in that sense, pull the entire program forward that year. We have now already completed or identified specific actions to realize \$28 million of cost savings in 2009.

We wanted to share our focus areas for our completed actions. We have already made changes in staffing and compensation which will result in \$17 million in realized savings for 2009. These savings have come from reductions in force, furloughs, merit deferrals and other actions. We will complete additional plant consolidation, notably on March 5, we announced the planned closure of our Mozani manufacturing facility in September of 2009. This combined with other restructuring actions will result in 2009 savings of \$4 million. Our business leaders have implemented other actions to drive productivity and lower spending levels, which will achieve cost reductions across the business including within our supply base in 2009. This is just a point in time assessment to our cost initiatives and we are committed to finding and implementing more cost reduction actions. Over the remainder of 2009, we expect to periodically share with you our progress on these efforts.

I'd like to move now to page 21. While the cost savings remain critical, we also recognize that there are other activities and actions that create value for our corporation. We have launched efforts to better ensure, negotiate and track price and productivity actions driving to our strategic goal of best cost producer. This initiative has become clear as we have made progress on business simplification and leadership consolidation. We are focused on lowering our debt service costs which we anticipate will be reduced by \$4 to \$7 million in 2009, as we continue drive on rates and drive reductions in our outstanding indebtedness. We plan to reduce our working capital levels at least \$10 to \$20 million in 2009. We will continue to be prudent in our capital deployment to support our business initiatives. We still have discretionary spending levels which would address and represent an additional \$5 to \$7 million in reductions.

Lastly, we will continue efforts to monetize noncore assets. While this effort is slow, given the current economic environment, we will continue to pursue the sale of these assets which are not core to the longer-term needs of TriMas. Again, this only represents a sample of the actions on which we remain focused. There are other tactics to improve either earnings or cash generation, which have our attention. As these actions are implemented, we will continue to share the outcomes of these efforts. Given the economic uncertainties ahead of us, the TriMas executive team has stress tested our expected performance, built yet more contingency plans, all in an effort to add certainty to our performance. Collectively these efforts have resulted in a targeted minimum cushion of leverage covenant of point four times for approximately \$60 million of available liquidity throughout 2009. Dave, would you like to sum it up for us at this point?

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**David Wathen** - *TriMas Corporation - Pres, CEO*

I'll conclude on page 22 with a recap of our priorities and then, we will go to Q&A. We continually focus on improvement of operating profit in every business unit. We do that by bringing every tool to bear in managing prices, improving cycle times, improving turns, designing new higher margin products and certainly, in reducing and optimizing every cost. Over the long haul, the best cost producer always wins. We also bring every tool to bear in managing cash and optimizing our balance sheet. We will continue to pay down our debt. I carry with me and stay updated on our rolling forecast liquidity and list of our actions to optimize these metrics. We certainly deploy capital intelligently and prudently. Our management processes help identify and sort the best investment programs and will only invest where we see high returns and alignment with our strategic vision. Again, at TriMas, we intend to come through this recession leaner, faster, and stronger for the future. Now, we will be glad to take your questions.

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## QUESTIONS AND ANSWERS

### Operator

Thank you. (Operator Instructions) Our first question comes from Tom Klamka from Credit Suisse.

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### Tom Klamka - Credit Suisse - Analyst

Good morning.

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### Mark Zeffiro - TriMas Corporation - CFO

Good morning, Tom.

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### Tom Klamka - Credit Suisse - Analyst

The profit improvement point you outlined on page 20 for 28 million.

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### Mark Zeffiro - TriMas Corporation - CFO

Yes, sir.

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### Tom Klamka - Credit Suisse - Analyst

As you go through this list, are all of the steps necessary to reach 28 million already done at this point or are there other additional actions you have to take in this list that haven't happened yet.

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### Mark Zeffiro - TriMas Corporation - CFO

The actions are implemented, Tom. With respect to the employee personnel actions. Obviously, with exception of the realized savings that we will have starting in September with the closure of the [Mozani] facility. So everything is implemented as it can be. We have that additional facility closure that will happen later in the year.

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### Tom Klamka - Credit Suisse - Analyst

And some of these are directly -- someone gets laid off, you save right away. Are any of these more volume dependent in order to obtain these level of savings? So volumes are lower than you expected you wouldn't actually save that much?

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### Mark Zeffiro - TriMas Corporation - CFO

Tom, what we have done is gone through our cost saving metrics and looked at indirect fixed overheads and the like and that's what we are doing in terms of really trying to drive reduced overall spends. So these would not be as volume sensitive as may be, for example, material costs productivity and the like.

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### Tom Klamka - Credit Suisse - Analyst

Okay.

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**David Wathen** - *TriMas Corporation - Pres, CEO*

We are doing all those things too but we are not counting those as part of the profit improvement.

**Tom Klamka** - *Credit Suisse - Analyst*

Okay. On some of the more OE related businesses, I guess Aero and say North Cylinder and some of the others, can you talk about what you are seeing there as far as maybe start with Energy. They did great in the quarter in the year. How did that performance vary between Lamons and Aero.

**David Wathen** - *TriMas Corporation - Pres, CEO*

Lamons with the upside coming from the new store openings is kind of bucking the trend. I wouldn't call them up but they are hanging on, on the revenue side and they have got a variety of cost reduction programs that will come through. Aero, like I said, is the hard-hit business. And you know, it is hard to model any of these kind of businesses when we can look at number of wells completed and all that, as you can, and any count of that stuff is way down. 20, 30% down. And then like I mentioned, I mean -- to make it even uglier, it is clear that wells are being completed and owners making a decision to cap it and not install all the equipment. That said, the only way to buck it for us is new products.

If you walk through a well site, it is full of welded fabricated products that all have to be built by certified welders and tests and we folded in the small acquisition really just recently. I was there in February and it just up and running that makes just about anything you can imagine for the well site. And, again, it is certified welders. It is x-ray machines. It is high safety precision stuff. So we have put ourselves into the capability of doing all. So now the action is in, what should we next and what do we roll out next? I can't be optimistic and so Len who runs that business has just had to be -- you heard me say, brutally objective about it. And downsize accordingly.

**Tom Klamka** - *Credit Suisse - Analyst*

I guess my question is as far as the historical forms in the quarter, in the year, the improvement and earnings and energy. So was that mainly driven by Aero then as opposed to Lamons.

**Mark Zeffiro** - *TriMas Corporation - CFO*

Actually, it was really both, Tom. If you look at the year on year performance in both segments, they both showed improvements year to year. I'd have to say that the relative volume increase at Aero would be greater than that of what we saw at Lamons but they were both positive within the year.

**Tom Klamka** - *Credit Suisse - Analyst*

Okay. And how about something like North Cylinder and Aerospace and ISG. Aerospace I guess, despite the turn down, you're still seeing some moderate growth there going forward I guess?

**David Wathen** - *TriMas Corporation - Pres, CEO*

I saw the headline that says air bus cuts line rates and I thought oh, no. And of course you read it and it says they cut back to last year's line rates, which for a supplier feels pretty good nowadays. Business jets -- what can you say? There is none of that being done. Luckily, we have got -- the business is heavier towards the big side, big aircraft side, so therefore, Monogram

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continues to do okay. None of our businesses run much backlog. Monogram is one that sees anything out front. So far, so good with Monogram.

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**Tom Klamka** - *Credit Suisse - Analyst*

A large portion of this profit plan comes out of Cequent. When you look at Cequent today and what you think is going to happen going forward, if you get this savings you are expecting, do you expect Cequent to be at a break-even EBITDA level for the year, '09?

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**David Wathen** - *TriMas Corporation - Pres, CEO*

Well, they better do better than that.

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**Mark Zeffiro** - *TriMas Corporation - CFO*

Tom, we haven't given any segment-related EBITDA performance but if you look at the relative potential sales decline and the profit improvement program. I would expect those two things likely to offset with a little bit of tailwind.

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**Tom Klamka** - *Credit Suisse - Analyst*

Okay.

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**Mark Zeffiro** - *TriMas Corporation - CFO*

Does that answer your question?

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**Tom Klamka** - *Credit Suisse - Analyst*

Yes. Thank you very much.

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**Mark Zeffiro** - *TriMas Corporation - CFO*

You bet, Tom.

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**Operator**

Our next question comes from the line of John Sykes.

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**John Sykes** - *Analyst*

Actually, I didn't queue up. Hello.

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**Mark Zeffiro** - *TriMas Corporation - CFO*

Okay. Well, if there isn't a question, we go on to the next person.

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**Operator**

Our next question comes from John Inch from Merrill Lynch.

**Karen - Merrill Lynch - Analyst**

Good morning, this is actually Karen calling in for John.

**Mark Zeffiro - TriMas Corporation - CFO**

Good morning.

**Karen - Merrill Lynch - Analyst**

If we look at Cequent and Packaging Systems for this quarter, they are both down in fourth quarter year over year. How much of that drop would you attribute to inventory restocking and have you baked in in your assumption going forward that some of the demand is going to come back based on some level of restocking.

**David Wathen - TriMas Corporation - Pres, CEO**

As tempting as that it. Underline the word pessimistic. This is a year to be pessimistic about when it is all coming back. We are all desperate looking for some positives out there and I'm not seeing them. Call me if you've got some. I mean, so what do you do? We have all been through this stuff before and it's time -- I have said this to a variety of our SBU heads when we talk about this stuff. It is time to be pessimistic and size full of pessimism. And we will -- some day we will be fighting to grow.

**Karen - Merrill Lynch - Analyst**

Okay. So you aren't really baking in any sequential improvements in change in sequence?

**Mark Zeffiro - TriMas Corporation - CFO**

This is Mark. The answer is no. We are not expecting any sequential improvement in that business. Our back half comps get relatively a bit easier as that incremental and pretty precipitous slowdown happened in the back half of 2008 but I would add this. You asked about the inventory and channel, so to speak, and the inventory channel has been affected and if you talk to our people that lead those businesses, there is a general feeling that the inventory within channel is pretty stable and it is more on a flow basis now.

**Karen - Merrill Lynch - Analyst**

So you are saying it stabilized and if the end market does not get worse, you would see sales levels similar to that in the fourth quarter. Is that a fair statement?

**Mark Zeffiro - TriMas Corporation - CFO**

Yes, it is a fair statement. Just realize also it is a seasonally dependent business that as they get into their season here in Q1 and Q2, our natural incline is starting like the latter half of this first quarter and well into Q2.

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**Karen** - *Merrill Lynch - Analyst*

Okay.

**Mark Zeffiro** - *TriMas Corporation - CFO*

So this is now your industrial clunker where you've got basically flat sales quarter on quarter. There is a natural seasonality to the business because of just the end markets.

**Karen** - *Merrill Lynch - Analyst*

Got you. And then you guys have previously called out the end of third quarter that you have some high cost inventory and then you are trying to work it down. Can we expect to begin to see some sort of raw cost benefits going forward?

**Mark Zeffiro** - *TriMas Corporation - CFO*

That's a great question. If you think about the inventory levels at year end we showed an increase of about \$7 million year on year. There is still some inflation trapped in that but we have made our way through in large part across the businesses through that inflation. I would expect then, therefore, with commodities coming down an ability to bounce our margin rates a little bit in 2009.

**Karen** - *Merrill Lynch - Analyst*

Would that be starting from this quarter or further down the road?

**Mark Zeffiro** - *TriMas Corporation - CFO*

What I would say is further down the road.

**Karen** - *Merrill Lynch - Analyst*

Okay. And then just lastly you guys mentioned a plan for growth and also the plan to deleverage. Do you have some sort of a timetable. You guys have around 600 million debt on books. Should we expect to see more sort of action in terms of debt buy backs from what you guys did in this quarter and what is your longer term plan of paying down the debt? What is the balance between deleveraging and growth longer term.

**David Wathen** - *TriMas Corporation - Pres, CEO*

I've answered that quite a few times internally. The easy answer is that is part of the management's job to make those kind of calls but obviously it is attractive to buy down our debt and it competes with every other investment program. And I'm not going to say we will do no investment in the businesses. I already told we bought some grinders to do some medical drills.

I would like to say -- that's part of the job is to balance all that and there are always programs or whether they be new growth or they be cost-out programs that need some money and they compete against everything else and, again, we will do our best to make those decisions. You know good and well, we like to pay down our debt because it just makes us more agile in the future.

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**Karen** - *Merrill Lynch - Analyst*

Thank you.

**Operator**

(Operator Instructions) Our next question comes from Eric Rhettingburg from Cinicom.

**Eric Rhettingburg** - *Cinicom - Analyst*

Good morning, gentlemen.

**Mark Zeffiro** - *TriMas Corporation - CFO*

Good morning, Eric.

**Eric Rhettingburg** - *Cinicom - Analyst*

I have a couple questions. The first question is in the presentation that you guys have on the packaging, I'm a little confused about it. Maybe you could help me out. It looks like the fourth quarter EBITDA was higher in 2008 than 2007 yet the operating profit was lower, according to page 12. I was wondering how that happened.

**Mark Zeffiro** - *TriMas Corporation - CFO*

Well, if you look at the implication of the special items year on year, Eric, you'll see part of the explanation there. And that's really what drove it. But you also saw --

**Eric Rhettingburg** - *Cinicom - Analyst*

On both of these apples to apples?

**Mark Zeffiro** - *TriMas Corporation - CFO*

Yes, they are.

**Eric Rhettingburg** - *Cinicom - Analyst*

So why would -- aren't they both excluding the special items?

**Mark Zeffiro** - *TriMas Corporation - CFO*

Bob, would you like to answer that.

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**Bob Zalupski** - *TriMas Corporation - VP of Finance*

Yes, a year ago we bought back lease equipment, Eric, that is now on book and as a result of that has higher depreciation compared to the year ago period.

**Mark Zeffiro** - *TriMas Corporation - CFO*

So it's a DNA discussion, Eric.

**Eric Rhettinger** - *Cinicom - Analyst*

And then with the sale of your little subsidiary this quarter, you know, that generates \$20 million cash. I'm on page 20 now and you talk about -- 21 -- and you talk about the conservative estimate of free cash flow of 40 to \$45 million. Maybe you could just -- and then you have other dispositions of 10 to \$20 million. My first question is, is this inclusive or noninclusive of what you've already sold this year?

**Bob Zalupski** - *TriMas Corporation - VP of Finance*

This would be not inclusive, Eric. It's purely an operational metric.

**Eric Rhettinger** - *Cinicom - Analyst*

Okay. 10 to \$20 million, then, isn't included in the 40 to \$45 million?

**Bob Zalupski** - *TriMas Corporation - VP of Finance*

The working capital would be part and parcel of our operating measure, that's correct.

**Eric Rhettinger** - *Cinicom - Analyst*

But you have other here of --

**Bob Zalupski** - *TriMas Corporation - VP of Finance*

That would not be. That's correct.

**David Wathen** - *TriMas Corporation - Pres, CEO*

We put that in the upside column.

**Eric Rhettinger** - *Cinicom - Analyst*

But that's not included in the 40 to 45?

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**Bob Zalupski** - *TriMas Corporation - VP of Finance*

That's correct.

**Eric Rhettinburg** - *Cinicom - Analyst*

Nor is the 20 million that you're already sold?

**Bob Zalupski** - *TriMas Corporation - VP of Finance*

That's correct.

**Eric Rhettinburg** - *Cinicom - Analyst*

Great. Thank you.

**Bob Zalupski** - *TriMas Corporation - VP of Finance*

You're welcome, Eric.

**Operator**

Our next question comes from Jordan Hollander from Jefferies & Company.

**Jordan Hollander** - *Jefferies & Co - Analyst*

How are you? Most of my questions have been answered but just a couple, I guess, just house cleaning items. First one, what is your capacity to buy back senior sub notes?

**Mark Zeffiro** - *TriMas Corporation - CFO*

Jordan, that's leverage constricted according to our credit agreement and as such, the maximum that we can purchase at cash basis is \$125 million. That's in the best possible case. We are now right in the zone of about \$75 million cash basis.

**Jordan Hollander** - *Jefferies & Co - Analyst*

Okay. So no real restriction going forward?

**Mark Zeffiro** - *TriMas Corporation - CFO*

It's obviously, leverage restricted, if we were to have a dip in our relative turn times leverage covenant, we would obviously be locked out.

**Jordan Hollander** - *Jefferies & Co - Analyst*

Okay. Great. And is it possible to provide a post the sale of compact what your cash and debt balances are?

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**Mark Zeffiro** - *TriMas Corporation - CFO*

Jordan, I can circle back with you on the call if you felt that that would be helpful?

**Jordan Hollander** - *Jefferies & Co - Analyst*

Great. I'll try to touch base then. Thanks.

**Mark Zeffiro** - *TriMas Corporation - CFO*

Okay.

**Operator**

Our next question comes from Alan Weber from Robotti & Company.

**Alan Weber** - *Robotti & Co - Analyst*

Good morning. The prior question, you addressed the free cash flow -- you were talking about the free cash flow from operation plus the sales in business this year plus possibly selling another business. If that comes through, can you talk about the order of what debt gets paid down? Is it all going to be going to repurchase your bonds? What is kind of mandatory in 2009?

**Mark Zeffiro** - *TriMas Corporation - CFO*

In terms of the cash, we generate, Alan, first and foremost, thanks for the question. Great question. We would obviously look at this as a fundable basis and as David indicated, decide exactly what projects or what debt actually we would pay. If you're to look at the order of operations, our credit agreement does have specific requirements with regards to, if indeed there were proceeds of greater than I believe the answer is \$25 million, we would end up having to buy down term debt. As such that's available to you in our disclosures associated with that credit agreement.

**Alan Weber** - *Robotti & Co - Analyst*

Okay. And then kind of unrelated in the Cequent business, can you talk about kind of what you are seeing from the competition in terms of others going out of business, liquidating, like that?

**David Wathen** - *TriMas Corporation - Pres, CEO*

Good question. One of my basic premises is in bad times the big guys win. So take advantage of that. The trouble is they hang on for a long time. We know there's some competitors that are struggling more than we are with all this. For any specifics yet, I don't have any that I could name but we are not shy about using our size to convince customers that, hey, you want to be with the full stop shop. We are around for the long hall. We are part of a big corporation. Etcetera, etcetera. We have made that speech a few times. But as far as any specifics, I haven't seen it, I don't have it yet to share.

**Alan Weber** - *Robotti & Co - Analyst*

Okay. Great. Thank you very much.

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**Operator**

Our next question comes from Barclays Capital.

**Matt Bitorio** - *Barclays Capital - Analyst*

Good morning. This is actually Matt [Bitorio] Just curious how you would characterize your relationship with your current bank lenders. You sound pretty comfortable with your point four turns of cushion through the year. If things continue to deteriorate, would you look to negotiate with them early? How would you characterize that relationship currently?

**Mark Zeffiro** - *TriMas Corporation - CFO*

Great question, Matt. The way in which we would do that is we are doing as Dave stressed and I stressed in the prepared remarks, everything possible to ensure we never have to have the conversation in the first place.

We want to operationally deliver or transactionally deliver cash flow that keeps us out of that situation but in the event that we do we have a very open relationship with JPMorgan and they have been very supportive through the renewal of our air securitization facility and we would proceed to them if indeed we foresaw a problem. At this point in time, we are running the business, operating cash flow to ensure that we don't have to have that conversation in the first place.

**David Wathen** - *TriMas Corporation - Pres, CEO*

I'll just add to it that I know good and well it would be very expensive to do that. So given the times, I would rather do other things to avoid that problem.

And we have had to do some painful things already and there's more painful things on the potential list and part of my job is to make sure we are around here for the long haul and I intend to be doing this next year and the year after and the following years. So my summary is, we are going to work darn hard to stay out of that situation because it would be so expensive and I'd rather do other things than that.

**Matt Bitorio** - *Barclays Capital - Analyst*

Understood. That's helpful. Thank you.

**Operator**

Our next question comes from Walt Liptak from Barrington Research.

**Walt Liptak** - *Barrington Research - Analyst*

Good morning. First question is what is the DNA expected to be for 2009?

**David Wathen** - *TriMas Corporation - Pres, CEO*

We are digging for numbers.

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**Mark Zeffiro** - *TriMas Corporation - CFO*

Hit the next question.

**Walt Liptak** - *Barrington Research - Analyst*

Well, the next question is you provided some guidance on cash flow estimates and other things. I wonder why you decided not to give any EPS guidance?

**Mark Zeffiro** - *TriMas Corporation - CFO*

That's my decision. I mean, in this recession my decision has been to stay away from EPS guidance and instead give you what I think is more useful guidance. Our liquidity. What we are doing with working capital. I would submit that's more useful and relevant right now than any EPS number. And that's how I came to that decision.

**Walt Liptak** - *Barrington Research - Analyst*

Right. You gave us enough where we can back into it but we've got to work for it and as the other caller just said, you're running pretty close I guess on some of these debt covenants.

And based on your background, you've been with companies that haven't had a lot of debt and I wonder what your tolerance level is for the kind of businesses that you have, some of which are very good and the debt level and potential significant divestitures to try to rapidly deleverage the business.

**David Wathen** - *TriMas Corporation - Pres, CEO*

Let me remind you, if you search my background, I did spend four years as a partner, really the operating partner of a private equity fund who was in the business of buying distressed businesses.

**Walt Liptak** - *Barrington Research - Analyst*

Okay.

**David Wathen** - *TriMas Corporation - Pres, CEO*

And I always tell the story -- quite often I would go be the interim CEO in an acquisition. I've got to tell you there is no experience -- when you have worked for big companies, you wind up feeling like the treasury is bottomless. It is a whole different animal to have your CFO walk into the office and say we can't make payroll Friday. That stuff sinks in. And I came out of that whole experience with a whole different attitude about cash. And one of them is, you figure out what the right amount of liquidity is. I mean, we could manage for a higher liquidity, availability, we could manage for a higher set of returns but then we wouldn't be able to buy grinders to make medical drills or something like that.

So, again, that's a decision that we've got to walk constantly and it's not as pure as just being numbers on paper because you've got to make some judgment calls about stress and what could go and all that. But, again, that's what you all pay me to do and the team here to do. And so I'm willing -- that's about the line we are willing to walk is what we talked about.

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And I think that's about right to give us some room if we need to do something drastic, if we get surprised and yet it doesn't keep us from making some long haul investments that make sense for the business.

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**Walt Liptak** - *Barrington Research - Analyst*

Okay. Will you be cautious with the Cap-Ex spending early in the year? Looks like you will be at around 20 million of Cap-Ex is what you are forecasting.

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**David Wathen** - *TriMas Corporation - Pres, CEO*

We are. I use the word precious. It is people and it is capital. There's always some you have to spend on maintenance. We are a pretty good sized set of businesses. But we are -- and that's one of the things I've chosen to control myself and, again, you know my background.

I have been in this kind of thing for a long time. And the capital has to pass the test for returns and alignment with vision and we have -- the vision statement we shared and we were shown and all is different than we had in the past and obviously, I have the opportunity to say what I think is the right vision for us and that's what we will align with.

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**Walt Liptak** - *Barrington Research - Analyst*

Okay.

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**Mark Zeffiro** - *TriMas Corporation - CFO*

Walt, with respect to your DNA question, between 42 and \$43 million.

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**Walt Liptak** - *Barrington Research - Analyst*

Okay. And the disposition of noncore assets, 10 to 20 million is that part of your cash flow estimate or is that something separate?

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**Mark Zeffiro** - *TriMas Corporation - CFO*

That is separate.

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**Walt Liptak** - *Barrington Research - Analyst*

Okay, good. Thanks, guys.

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**Mark Zeffiro** - *TriMas Corporation - CFO*

You bet.

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**Operator**

(Operator Instructions) Our next question comes from Joe Fox from KeyBanc Capital.

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**Joe Fox** - KeyBanc Capital - Analyst

Good morning, everybody.

**David Wathen** - TriMas Corporation - Pres, CEO

Good morning, Joe.

**Joe Fox** - KeyBanc Capital - Analyst

I'd like to talk a little bit about SG&A. Obviously, there's a lot of moving pieces from your cost reduction efforts which sounds like it will be partially offset by some strategic expansion in energy. Earlier you mentioned SG&A as a percentage should be relatively flat versus '08 levels.

Do you think that that's going to be flat in every quarter or would it be safer to assume that SG&A as a percent would be potentially up in the front half and then down in the back half of the year as your cost reductions take hold?

**Mark Zeffiro** - TriMas Corporation - CFO

I would expect to see, Joe, a degradation or decline in SG&A as a percent of sales through the quarters.

**Joe Fox** - KeyBanc Capital - Analyst

Okay. I mean, is that going to increase then as you go through the quarters or is it going to -- can you just kind of walk through the cadence.

**Mark Zeffiro** - TriMas Corporation - CFO

I don't have that immediately in front of me, Joe. But I can circle back with you. What I would say is the cadence associated with SG&A as a percent of sales should be -- it's not going to be materially different quarter on quarter and recognize the seasonality in the front half of the year -- associated with our Cequent businesses.

**Joe Fox** - KeyBanc Capital - Analyst

A little extra color on that would be helpful. Also just to be a little more specific on debt pay down. If you end up generating 40 to 45 million in free cash flow in '09, how much debt pay down would you expect to have based on that amount?

**Mark Zeffiro** - TriMas Corporation - CFO

That's a great question, Joe. If you generate that free cash flow within the period, we would continue to look at bond repurchases of course and as need be, we would look at if indeed there was some big transaction term related. To declare what that would be right now, would be a bit presumptuous.

**Joe Fox** - KeyBanc Capital - Analyst

Could you expand on what your noncore assets might be and if you have any potential buyers lined up for this business?

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**Mark Zeffiro** - *TriMas Corporation - CFO*

Yes, Joe, those are pretty consistent with what we talked about in previous meetings and disclosures. We have property management related assets that are just, if you will, just leasing at this point in time that are fairly valuable in the markets in which they are resident.

Example, the assets on the west coast in terms of our Vernon facility is something we are actively marketing. Others may not be prudent for me, as we are still in the process of negotiating what we think is a reasonable price on those assets.

**Joe Fox** - *KeyBanc Capital - Analyst*

That's helpful. My last question is respect to your facility rationalizations. Can you give us a better sense of what your footprint might look like going forward and do you anticipate any integration of your specific business units?

**David Wathen** - *TriMas Corporation - Pres, CEO*

We have effectively integrated the three big product businesses in North America for Cequent. Tom runs that for us and we have turned that into a large SBU marketing sales, VP of manufacturing and all that. Now, of course it is easy for me to say we have done that. We have made that change. It takes awhile for it to settle in, of course.

The rest of the businesses. I don't see an organization, a need to change that. Again, I say it over and over. We expect them to be able to run themselves, all the SBU presidents report directly to me. That's the way I like to -- I think that makes sense to me in this kind of an organization. And I expect them to run their own show. So I don't have a strategy that says, merge SBUs other than the Cequent ones. And in Cequent, the retail business that John runs is a separate business as is the Australian unit.

**Joe Fox** - *KeyBanc Capital - Analyst*

All right. Thanks for the call. I'll turn it over.

**Operator**

No further questions and I'd like to return the call to Dave for closing remarks.

**David Wathen** - *TriMas Corporation - Pres, CEO*

Okay. Thanks. There's a couple of questions that we haven't been asked I want to address those. One is our NYSE listing. And if you analyze our statements, consider our goodwill impairment and our stock price, you would conclude that we trip the NYSE \$75 million share owners equity rule. We have done our homework on that and how to respond to a notice that we would expect to receive. We have a cure plan that we believe will satisfy the NYSE. There's quite a long period for that. And we will work proactively with them through that cure period. So I guess that wouldn't be an announcement. But if you do the numbers, you'd probably come to a conclusion. So we'll see. If we get a notice we are ready to respond.

And then, let me just close with a statement, comment based on -- I'm new and so my view on TriMas. And I guess what I'd ask you to remember is, I see way more upside than downside. TriMas has a strong group of businesses. These businesses have the kind of characteristics it takes to actually gain on competitors during tough times. Coming in, I heard a lot of comments about Cequent. I'm actually encouraged by what I believe Cequent can be. It would have been better to integrate and optimize all those acquisitions as they occurred but instead we will do it all at once and do it right now.

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And finally, I'm convinced that increasing the intensity and applying all the tools of total productivity, cycle time improvement, working capital reduction, applying all those tools will jump start TriMas into the high performer that it should be and I firmly believe that we will really come out of this recession leaner, faster and stronger. Thanks, everybody.

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**Operator**

Ladies and gentlemen, thank you for your participation in today's conference. This concludes the program. You may all disconnect. Everyone have a great day.

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