# FINAL TRANSCRIPT

Thomson StreetEvents℠

# TRS - Q2 2008 TriMas Corporation Earnings Conference Call

Event Date/Time: Jul. 31. 2008 / 10:00AM ET

## CORPORATE PARTICIPANTS

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

**Grant Beard**
*TriMas Corporation - President, CEO*

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

## CONFERENCE CALL PARTICIPANTS

**Curt Woodworth**
*JPMorgan Chase & Co. - Analyst*

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

**Steve Barger**
*KeyBanc Capital Markets - Analyst*

**Robert Schenosky**
*Jefferies & Company - Analyst*

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

## PRESENTATION

**Operator**

Good day ladies and gentlemen and welcome to your TriMas second-quarter 2008 earnings conference call. At this time all participants are in a listen-only mode. Later we will conduct a question-and-answer session and instructions will follow at that time. (OPERATOR INSTRUCTIONS). I would now like to introduce your host for today's conference call, Miss Sherry Lauderback. You may begin them ma'am.

---

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

Thank you and welcome to the TriMas Corporation's second-quarter 2008 earnings call. Our President and CEO, Grant Beard; and our Chief Financial Officer, Mark Zeffiro, will review TriMas's first quarter-results in addition to providing the Company's outlook into the remainder of 2008. After our prepared remarks we will answer questions from the audience. Also present with us today from TriMas is Bob Zalupski, Vice President of Finance.

To facilitate this review of our results we have provided a press release and a PowerPoint presentation on our Company website TriMasCorp.com under the investor section. In addition, a replay of this call will be available later today by calling 866-837-8032 with the reservation number of 1267252.

Before we get started I'd 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 uncertainties. We caution everyone to be guided in their analysis of TriMas by referring to our Form 10-K and Form 10-Q for a list of factors that could cause our results differ from those anticipated and any 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 would like to turn the call over to Grant Beard, TriMas President and CEO.

---

**Grant Beard** - *TriMas Corporation - President, CEO*

Thank you Sherry. Good morning and welcome everyone to the TriMas Corporation second quarter 2008 earnings call. This morning, Mark Zeffiro, our new CFO, and I will review our second quarter 2008 results and our segment highlights for the quarter.

TriMas and I are very pleased to have Mark on our team. He brings a tremendous amount of operationally oriented financial management experience to our team. Mark has held senior executive positions at General Electric, First Quality Enterprises and Black & Decker.

Together, we will also provide a financial overview of our Company as of June 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 forum for question and answers.

With the completion of our second quarter, TriMas Corporation is pleased that our strategic growth and cost initiatives are both showing progress. Our Company delivered solid performance within the second quarter by meeting our earnings expectations in a difficult economic environment.

Our strategic growth priorities which are focused on the end markets of energy, aerospace, medical, pharmaceutical and specialty packaging continued to transition our overall portfolio. TriMas saw 10.8% revenue growth from our packaging, energy and industrial specialty groups within the quarter.

This revenue growth was also augmented by our international initiatives that allowed TriMas to grow by 13% within the quarter outside the United States. This positive performance continues to be partially offset by the consumer recession within the United States and our exposure to discretionary spending within the RV trailer products and recreational accessories segments we collectively call Cequent.

While TriMas grew at overall rate of 3.3% for the quarter, our two groups known as Cequent, saw revenues decline by 5%. This performance was against an overall end market that was down by approximately 15 to 20% in comparison to last year.

Our new product, market expansion and bundling initiatives continue to allow TriMas to outperform in these end served markets. TriMas is a pre-eminent market leader in the towing, trailer and cargo management product categories and we continue to leverage our brands and channel positions to drive relative revenue performance.

As most of you are aware, the overall economic climate in the United States remains weak. We believe the consumer is in a recession. We expected our Cequent served markets to be challenged as we entered 2008 by being down 10% over 2007.

Those end markets have been down approximately 15 to 20% for the first six months of 2008 and we see no improvement for the remainder of the year. That said, we believe our product, bundling, pricing and cost management initiatives will continue to drive above market performance for Cequent.

In addition, and as an offset to our consumer discretionary spend exposure, we are seeing record backlogs in our aerospace and energy businesses and tremendous support for our specialty packaging and medical product initiatives. TriMas has never had more opportunities in front of it as a Company than it does at present.

These are however uncertain times that demand our Company to balance our growth initiatives with cost management. We remain committed to an aggressive cost management environment that is founded on the disciplines of lean and will continue to drive both managerial as well as operational leverage within our Company.

During the second quarter we took incremental action to reduce costs by $3 million in annualized cost reductions at headquarters levels. The actions in the second quarter resulted in a $0.04 per share charge that netted an EPS from continuing operations of $0.28 per share for the quarter.

These restructuring initiatives in the second quarter streamlined our leadership structure and decision-making. These changes were made possible by prior investments made into our business units. TriMas has a great grouping of companies within its portfolio.

Our business model is intact and our fundamentals continue to strengthen despite current economic conditions. Our people are talented and motivated and our companies have embraced initiatives that support both lean and growth. We believe this is evidence within the statistics of the second quarter.

TriMas revenue was open 3.3% in the quarter. This included an increase of 10.8% from our packaging, energy, industrial specialty segments collectively and a decline of our Cequent businesses of 5% within the quarter.

Our adjusted EBITDA was $39.4 million during the quarter. Our Company continues to see revenue and earnings growth from our strategic priorities.

Although our Cequent accessory businesses are often cited as an earnings risk to TriMas, it is important to note that only 27% of the Company's operating segment EBITDA in the second quarter was from the Cequent companies which is also the level we expect for the remainder of the year. While our EPS excluding special items was down from $0.37 per share in the second quarter of '07, to $0.32 per share in the second quarter of '08, our net income excluding these items was up 12.8% in the quarter to $10.8 million.

Our cash flow improved by $14.6 million with all operating segments producing positive cash flow. At the same time our debt was down over $21 million with the Company having over $143 million of availability and $7 million in cash at quarter end. This performance was in line with our expectation and supports the balance of initiatives being implemented across TriMas.

Now let's look at each of our reporting segments starting with our packaging systems group on slide eight. Packaging systems saw modest revenue growth in the quarter with its industrial closure and specialty dispensing product lines being up and its commercial construction products being down as compared to the second quarter of '07.

Strategically, we continue to transition the group to have more exposure in the growth markets such as food, beverage, pharmaceutical and medical which over time will moderate the group's exposure to the cyclical industries such as construction. We expect modest growth within the group to continue with results being moderated by our product exposure to the United States commercial construction market.

Our earnings performance was directly impacted in the quarter by volume declines from the commercial construction market and the associated underabsorption of fixed costs which resulted. In addition, the group also continued its investment into international expansion initiatives for its core specialty dispensing and closure product lines. We believe this focus will drive long-term growth in both revenues and earnings.

Within our next group, energy products, we saw very solid revenue growth of 29.6% over the second quarter of '07. This was driven by strong demand, new products and market expansion. Our new compression and gas equipment product offerings are being well-received in the market.

We also currently have a record backlog for our engine product lines. Our strategy of expanding our well site content is being implemented and is exceeding our expectations. The group's earnings in the quarter also showed good conversion with adjusted EBITDA being up 46.8%.

Our Lamons Gasket business continues to implement its international expansion plan with the support of majors such as Exxon Mobile. To support these global customers, Lamons will expand operations to include Europe and Asia by year-end. Our businesses within this group expect continued strength within their served markets.

Our third segment, industrial specialties, had revenue growth of 6.4% and adjusted EBITDA growth of 4.9% as compared to the second quarter of '07. Our growth was moderated by the overall economic climate in the United States and Europe for basic industrial products and our indirect exposure to the transportation markets with our cutting tool and fitting products.

The offsetting influence in the group is the continuation of a strengthening order backlog for our aerospace fastener product lines. In addition our specialty cylinder business continues to gain market share in Europe, Africa and South America and had record sales in the quarter.

Both these groups are experiencing increased international sales growth. The segment's product expansion initiatives into medical components also continued to progress during the quarter. This group expects continued growth.

Our fourth segment, RV and trailer products, saw its revenues fall 6.3% as compared to the second quarter of '07. Earnings for the group were directly impacted by product mix, volumes and associated underabsorption of fixed cost. This group continues to migrate its activities to low-cost environments and will increasingly leverage our own assets in both Mexico and Southeast Asia.

This group has both the opportunity and the intention to further reduce its fixed cost footprint in North America. As the group continues its implementation of cost initiatives, it will also continue to leverage its great brands and market positions.

While its end served markets remain weak in the United States the group's initiatives in Southeast Asia, Australia and Canada are producing growth. We expect this group to continue to outperform its served markets in the United States and experience growth in new markets such as Thailand.

Our last group, recreational accessories, saw its revenues decline 4.1% and adjusted EBITDA decline by 8.5%. Again this group outperformed against a market down by 15 to 20%. The EBITDA conversion in the second quarter was much better than the first quarter due to prior cost initiatives.

This group will continue to attack its served markets, expand internationally and reduce fixed cost where appropriate. The outlook for this group is the same as RV and trailer products -- weak United States market with opportunities for market share, product expansion and international growth.

Both of these groups known also Cequent will continue to drive down costs and aggressively pursue market opportunities. We believe that these businesses will be ideally positioned for the eventual cyclical recovery and in the short term will outperform their served markets and provide cash for TriMas.

Our Company as you can see remains a tale of two cities. The good news is that almost 80% of our earnings is being generated from businesses with strong growing end markets and the opportunity for international expansion.

Simultaneously, we will drive our Cequent business through this cyclical bottom with the expectations that they improve their business and cost position so as to benefit TriMas when their end served markets recover. These are good businesses supported by great brands with a reputation for excellence.

We also believe our strategies for growth across the remaining portfolio will serve as a foundation for earnings expansion for the remainder of 2008 and beyond. Our priority of focus remains on increasing our portfolios exposure to the end markets of medical, energy, aerospace and specialty packaging. TriMas's businesses will continue to produce cash, steadily strengthen our balance sheet and be aggressive.

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 14 of the slide presentation. First, let's consider our results for the quarter.

We delivered record quarterly sales of $297 million a 3.3 increased versus a year ago. The key contributor to this increase was exceptional performance of our energy product segment and growth of 29.6% or $12 million in the quarter. This was offset by declines in the RV and trailer and recreational accessories segments which collectively were down 5% or $7 million in the quarter.

We also benefited from the acquisition of new technologies in Q3 2007 which for the quarter contributed $2 million in sales. Lastly, the favorable effects of foreign currency exchange contributed approximately 1.4% of the sales in the quarter.

Gross margin percentages declined in the quarter by 120 basis points driven by demand softness and mix. During the quarter we continued efforts to right size our inventory for anticipated markets for the remainder of the year.

Our significant reduction in output has contributed to the gross margin rate decline to reduce overhead absorption for the quarter and year-to-date. While we experienced a positive result of our pricing efforts relative to the inflation inflationary trends, we have not recovered all the related cost increases.

During the quarter our SG&A spending increased by $3.5 million compared to the prior period. This was driven predominantly by the $2.3 million in restructuring actions taken in Q2 and a continued investment in growth initiatives of the businesses most notably packaging, energy and aerospace. Excluding cost of the restructuring charges taken in Q2, the SG&A percentage of sales was slightly down at 15.7% versus 15.8% in 2007.

This performance still represents an increase in spending of $1.2 million as a result of our investments in regional and product growth. Continuing to move down the income statement, interest expense decreased by $4.5 million in the quarter. $2.5 million of this reduction relates to IPO proceeds used to retire a portion of the senior notes.

Our weighted average cost of bank borrowings was 5.2% versus last year of 8.1 which resulted in an additional $2.1 million in savings. This declined also represented a sequential decrease of 80 basis points versus Q1 2008. During the quarter our effective tax rate was 36%.

On a year-to-date basis, our sales of $577 million represented a modest increase of 0.8% versus the first six months of 2007. The dynamics for the year-to-date are similar to the quarter with the energy products and industrial specialty segments contributing to the growth of the Company but largely offset by declines in the RV and trailer and recreational accessories segments.

Our packaging systems segment showed a modest increase of 1.4% supported by the growth initiatives in our packaging product businesses offset by softened sales in the laminate and insulation products. Foreign currency exchange benefit contributed approximately $8.4 million of the sales increase versus 2007.

For the first six months of 2008, gross margin percentages were 26.4% which represents 120 basis point decline compared to the same period of last year. The drivers of this increase are consistent with my comments for Q2.

We have already sized the inventory levels with our expected go-forward market conditions. In the back half of the year, we anticipate increasing levels of material inflation which will be offset by our pricing initiatives.

For the six-month period, our SG&A performance is consistent with my quarterly commentary. SG&A as a percent of sales excluding the effect of the restructuring activities remains consistent year on year.

Turning to slide 15, our reported diluted earnings per share was $0.28 for the quarter and $0.51 year-to-date versus a 2007 Q2 loss of $0.15 per share and earnings of $0.16 per share for the first six months of 2007. Our relative EPS performance for the quarter if one were to exclude the effects of the current restructuring and the effects of the IPO in May of 2007 would've been $0.32 versus $0.37 in the second quarter of 2007.

This reduction is primarily the result of sales declines in certain markets, the impact of cost reduction initiatives including overhead absorption related to reduced production and investments in growth initiatives. As a result of these efforts, we expect to see better overall sales to EBITDA conversion for the remainder of 2008 as compared to the front half of 2008.

As for the balance sheet on slide 16, I will discuss a few highlighted accounts for the business. Accounts Receivable growth remains consistent with our performance of 2007. The relative performance in DSO was more than a 3-day reduction versus a year ago.

As for inventory, we have reduced our investment from year-end by $4 million and a sequential reduction of $7 million from the prior quarter end. Keep in mind that these reductions occur during a period in which the business normally builds inventory.

We have also funded the inventory needs for new product launches, Asia supply chain efforts and regional growth requirements. Yes we do have $16 million more in inventory than a year ago but approximately $9 million of this increase is due to inflation. We have more work to do in this area and we will continue to focus time and effort around purchasing efficiency and gross inventory management.

Our focus on purchasing has also led to better overall performance for the business. We will continue to manage vendor relationships in order to maximize the economics of price and terms. Working capital remains a focus for the executive team.

Moving on to slide 18 which details our capital position, our total indebtedness as of June 30, 2008 was $649 million which represents a reduction of more than $23 million compared to March 31, 2008. This reduction was a result of solid cash generation by our operations and continued focus on both working capital management and capital rationalization.

In addition, each of our segments delivered positive cash from operations in 2008. Lastly, we ended the quarter with nearly $144 million of available liquidity under our revolving credit and securization facilities and nearly $7 million in cash.

We ended the second quarter with a significant cushion relative to our financial covenants. Our financial performances of June 30, 2008 resulted in interest coverage and leverage ratios of 2.54 and 4.25 respectively as compared to our covenant requirements of 1.9 and 5.25.

We are particularly pleased with our cash flow from operations for the quarter. If one were to look at the underlying performance, that's to say exclude the effects of the accounts receivable securitization which by its nature is more of a financing activity and the impacts related to the IPO debt extinguishment and restructuring, one would see a recurring cash from operations of $27 million versus $7 million in the year-ago period.

As we look forward through the rest of the year we have a forecast in place that is balanced in terms of risks and opportunities. We continue to feed our growing businesses and look for share market expansion opportunities.

Price actions continue to offset material inflation. Also we will continue to add cost containment and reductions where needed. These efforts will continue to protect us in the near term versus our exposures to end markets with underlying softness, most notably the RV related and commercial construction. We will continue to monitor our businesses in Europe for any indication of market slowdown.

As for our back half performance, we see continued growth in our energy and industrial specialty segments. These increases in sales combined with continued growth efforts in the packaging segment will lead our sales growth in the back half of 2008.

Our forecast assumes that the RV and trailer and recreational accessories end markets will remain weak during the second half of 2008. Also we will continue to aggressively manage costs and working capital in all businesses but particularly in those two segments.

Our full-year outlook for EPS from continuing operations remains at $0.85 to $0.95. This guidance excludes costs related to onetime charges and restructuring activities. As you know we incurred about $2 million or roughly $0.04 a share in Q2 is part of our efforts to streamline the organization and improve the Company's cost position.

For the remainder of 2008 we will continue to be prudent with our capital, paying increased attention to return on net operating assets in the business. This will help us during the year and beyond through better capital prioritization. We will maintain a focus on relative health of our balance sheet with continued scrutiny of working capital and most specifically, inventory needs.

With continued inflationary pressures we will continue to act commercially to offset these costs. Lastly, while our focus on cost reduction continues, we will also look for reinvestment alternatives to support our growth efforts. At this point, I would like to turn the call over to the operator to open the line for questions. Thank you.

---

## QUESTIONS AND ANSWERS

**Operator**

(OPERATOR INSTRUCTIONS) Curt Woodworth, JPMorgan.

---

**Curt Woodworth** - *JPMorgan Chase & Co. - Analyst*

I just wanted to drill down on the packaging segment margins and Rieke I thought had very high incremental margins of at least call it maybe 30% and with that business up 7% you should see pretty good incremental EBIT growth yet you were down about $1.6 million. It seems like [compact] would have had to have been down 40 to 50% to get to those numbers. So if you could just kind of walk me through the moving pieces on the operating profit line of packaging this quarter that would be very helpful.

---

**Grant Beard** - *TriMas Corporation - President, CEO*

Curt with respect to the Rieke businesses, there's a few things that moved within the quarter and that is the price actions have been announced. And as such, they will be more effective in the back half of the year.

So part of that negative readthrough as you may call it is indeed related to some of the inflationary activities that we have seen in the business. Your point towards the [compact] business with respect to significant reductions really points to two things.

One, how much of that business is really related to the commercial construction segment which I'm not prepared to comment to at this point time. But it is down sizably in that respect. The ability of that management team to take out costs commensurate with the sales decline has been proven difficult but it is underway.

---

**Curt Woodworth** - *JPMorgan Chase & Co. - Analyst*

Okay and is it still about a 70-30 split between the two?

---

**Grant Beard** - *TriMas Corporation - President, CEO*

That's close.

---

**Curt Woodworth** - *JPMorgan Chase & Co. - Analyst*

And you mentioned incremental growth expense also as somewhat of a drag. What was that number incremental year on year?

---

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

To that end, within the SG&A structure of Rieke there were incremental heads added for the growth initiatives of the business. The exact number I can get back to you if you would like but it is relative to a couple of heads that are focused on market development activities.

---

**Curt Woodworth** - *JPMorgan Chase & Co. - Analyst*

Okay so going forward do you think that the current sort of runrate of margin at packaging, is that a better forecast assumption to use around the 16%, 15.9%?

---

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

With respect to the forecast I'm not ready to comment towards the changes in the back half but the current margin runrates are a good indicator for future expectations.

---

**Grant Beard** - *TriMas Corporation - President, CEO*

We have always been able and continue to expect that our pricing initiatives that are in place at the back end of the second quarter will in fact be held. We have no indication that they're not. It took a little bit longer in Europe to sort of get into the market and get through in a sense those negotiations. But we -- I think you're looking at it correctly and conservatively.

---

**Curt Woodworth** - *JPMorgan Chase & Co. - Analyst*

And then in terms of the Rieke growth, how much of that was driven by the success with some of the new specialty dispensing products as opposed to just the core closure business?

---

**Grant Beard** - *TriMas Corporation - President, CEO*

I think that our expectations for sort of the new specialty dispensing will be low-double digits. That's what we have seen to date. It's what we saw last year. And I think that regretfully it is being hidden a little bit by really the industrial part of the business sort of being flat and the construction exposure being down. We're very pleased with the transition that's happening within packaging and are seeing great acceptance for our initiatives, not just here but in Europe as well.

---

**Curt Woodworth** - *JPMorgan Chase & Co. - Analyst*

Great, and on RV and trailer -- I guess also recreational accessories, if we just hypothetically if we were to look out at 2009 and make the assumption that you would get mid-single digits volume growth, what kind of incremental margin do you think you would get on those businesses given kind of all the cost reduction efforts you made to date?

---

**Grant Beard** - *TriMas Corporation - President, CEO*

We're not quite ready to provide 2009 guidance. But I do think that the --

---

**Curt Woodworth** - *JPMorgan Chase & Co. - Analyst*

I'm just saying hypothetically.

---

**Grant Beard** - *TriMas Corporation - President, CEO*

I think the efforts of cost initiatives, product expansion of cost reduction will yield a benefit to us not only in a rising volume environment but in a flat environment.

---

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

Curt, to take you a little but further on that, you would expect to see with some of the efforts in terms of cost reductions within that segment help the general readthrough with respect to volume naturally coming through versus the negative leverage you've seen year-to-date.

---

**Operator**

Tom Klamka, Credit Suisse.

---

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

Can you talk about the negative operating leverage -- RVT, it was much greater than in recreational accessories. I'm not sure if that's from outsourcing or what. Can you talk about that?

---

**Grant Beard** - *TriMas Corporation - President, CEO*

Sure Tom. I think what you saw in RVT is what we saw in rec accessories in the first quarter. I think the drawdown of inventory, your fighting your way through drawing down activities at plants takes a little bit of time and we sort of fought through some underabsorption within that group predominately here in the United States.

I think those initiatives that what we are doing -- the continued migration, the lowering of activity levels -- will show itself and we would not expect such negative conversion as we walk across the year; just like you saw in rec accessories sort of a big negative conversion in the first quarter as our initiatives and the accounting of those initiatives sort of catch up.

You saw that gap narrow in the second quarter and then ultimately you would expect it would be positively beneficial as you go forward. It's really a timing of initiatives versus any structural issues.

---

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

Okay, and when you look at the increase in inventories at the corporate level, is it primarily in these two businesses?

---

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

If you look at inventories on a total corporate basis, you did see increases to support some of the growth related businesses specifically in the case of our aerospace related activities as well as the energy segments. But you also did indeed see increases here in the RVT and REG segments.

---

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

Okay and when you look at -- the declines here in revenues are frankly not that bad especially considering what the market did. What do you attribute that to and what do distributor inventories look like and retail inventories?

---

**Grant Beard** - *TriMas Corporation - President, CEO*

Specifically, Tom, to the Cequent businesses or sort of in general?

---

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

I think in Cequent you're kind of down 5% and the market is down 10 to 15%. So where does that outperformance come from? And is part of that kind of loading the channel?

---

**Grant Beard** - *TriMas Corporation - President, CEO*

No, no, absolutely not. I think it's really a combination of a couple of things. I think we're really getting the benefit of who we are and the quality of what our products stand for and our service levels. So I do think we're taking an incremental share.

We have been very aggressive with getting sort of horizontal development in our product offerings. We're standing content into the channels that we are selling into. And we are getting a growth outside of the United States which is also adding.

I would say that the channel inventories sort of in the two-step channels, the wholesale distributors are fairly moderate right now. So that's a good thing. They're not overly stuffed. I would say that the inventory levels at the finished good dealer -- the RV guy -- are reasonably full right now and you have seen those OE companies really bring down their production.

So we are getting much more pull if you will in the aftermarket and we are selling regretfully more accessories right now than we are custom fit products that would go into a new product sale. So we are getting a little bit of margin pressure because just of what we are selling isn't at the top end of our offering.

But sort of the idea that do if you own something you are going to buy complementary accessories to something you already own. So we are seeing that end of our business hold up much, much stronger than where we sell even if -- when is is an aftermarket sell, it is being driven by a new product purchase.

---

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

Sure, what's happening pricewise there? You were able to recover some of the steel costs?

---

**Grant Beard** - *TriMas Corporation - President, CEO*

Yes, so far so good. So we have been able to in a sense set pricing and we expect we will be able to do that really across our portfolio. It will mathematically put a little pressure on our gross margins but I think on a absolute cash standpoint, we think we can stay neutral.

---

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

Tom, to add a little more color there, if you were to look at the relative material cost inflation on a year-to-date basis as compared to our price related activities, those in essence have offset on a dollars basis. Our forecast considers that as well.

---

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

Okay and you had steel contracts didn't you? (multiple speakers) your lock-in pricing, when do those run out?

---

**Grant Beard** - *TriMas Corporation - President, CEO*

We were basically out for the most part spot buying as we speak and we have been able to set our pricing to match the commensurate material moves that we have seen in steel and in resin and in other materials.

---

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

To that end, we have taken a bit of a preemptive look as we have seen those spots -- the requirement of us to get more of a spot buy. We have actually anticipated part of those actions within our price activities.

---

**Operator**

Steve Barger, KeyBanc Capital.

---

**Steve Barger** - *KeyBanc Capital Markets - Analyst*

I had to hop off for a second so tell me if you already talked about this. But the recreational accessory operating margin of 8.1% was a sequential double and I know there was some pricing action in the quarter but can you tell me what really drove that? Was it all pricing or was it cost takeouts and then maybe talk about Q3 and Q4 from a pricing standpoint?

---

**Grant Beard** - *TriMas Corporation - President, CEO*

I think in recreational accessories you saw the pressure of underabsorption and us taking activity levels down in the first quarter. And I think you're seeing the benefit of those actions in the second quarter. So it is more internal management initiatives than it was pricing.

We expect from a pricing perspective -- this is really true not just in our aftermarket businesses but really across the portfolio, we that will basically match the pricing or the material inflation that we see in resin and in steel. And our pricing really across the portfolio has stuck and we expect it to continue to stick.

---

**Steve Barger** - *KeyBanc Capital Markets - Analyst*

So if activity level or volumes stay where they are right now then that would imply that this margin level is sustainable through the back half of the year given that it's more a function of you taking cost out?

---

**Grant Beard** - *TriMas Corporation - President, CEO*

Yes, I think that's a fair assumption. I mean as we continue to pass through material, the relative cash may stay the same and the relative margin might come down a little bit just mathematically because we're passing through.

---

**Steve Barger** - *KeyBanc Capital Markets - Analyst*

Yes, I get that. But the level, generally speaking, the magnitude of margin that you're seeing right now is achievable at these volume levels for the back half?

---

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

That's correct.

---

**Steve Barger** - *KeyBanc Capital Markets - Analyst*

Are you seeing more of a drop-off in product at the high-end or the low-end?

---

**Grant Beard** - *TriMas Corporation - President, CEO*

Absolutely at the high-end. We saw this really all the way through '07 and we expected it to continue in '08 and it really has. As I said momentarily a little bit ago, we really are selling into the accessory aftermarket, the replacement type of products really to the guy or gal that already owns something.

And the product that is custom fit that is really being driven by new installation against the new purchase, that was down in '07 and I continues to be down in '08. And that frankly has a lot of margin pressure on us. Our custom fit stuff is much much, more profitable than our core accessory lines.

---

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

Steve, if I was able to back you up a little second on the margin discussion, obviously with the cyclical nature of the business and the natural runoff of volume towards Q4 you're not going to see the same rate in terms of the total operating profit reading through because there's a degree fixed cost leverage yet in the businesses.

---

**Steve Barger** - *KeyBanc Capital Markets - Analyst*

Right, I get that. I predicated by saying at current levels.

---

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

I'm with you. I just want to make sure that that was clear.

---

**Steve Barger** - *KeyBanc Capital Markets - Analyst*

You've talked in a lot in the past about how you have taken a lot of your production facilities outside of North America or to Mexico at least and certainly to China. Can you talk about the economics of shipping metal hitches and some of the other products from China right now relative to the VAT tax, what the yuan is doing, rising freight costs, that sort of thing?

---

**Grant Beard** - *TriMas Corporation - President, CEO*

Sure, the vast majority of what we've taken in Southeast Asia and then in turn are bringing back to the United States has really been components, some finished goods in the world of lighting and what not. Clearly we have seen inflation in terms of steel VAT tax as in overall labor. But that inflation is not making that activity any economically different or less attractive than its comparable economics in the United States or some other high-cost environment.

So for us yes the costs have gone up but we have been able to pass those through in our pricing. What we are finding however that in our lower volume, higher SKU, higher but lower volume type products, we probably will not take those to Southeast Asia but will take those into our Mexican assets because we can get just better leverage on logistics cost. So while labor may cost us a little bit more, we get a benefit on shipping because of the freight costs.

---

**Steve Barger** - *KeyBanc Capital Markets - Analyst*

I understand. One quick question about the energy segment. Natural gas price is off quite a bit in the third quarter. Are you seeing that impact orders for the wellhead products yet?

---

**Grant Beard** - *TriMas Corporation - President, CEO*

Not at all. We have a record backlog and our activities continue to firm up. Some of that is our new product expansion but we believe the crossover of capital -- what drives capital spend is way, way below where we currently are now.

---

**Steve Barger** - *KeyBanc Capital Markets - Analyst*

Last one; Mike, you've been there for a few months now. What's the biggest opportunity you can focus on for improvement? Maybe can you talk just about some of the general impressions about how you're going to tackle the job here?

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

Good question, Steve. Really two things that stick out for me is we have got a significant amount of fixed cost infrastructure for the Company specifically in our heavier metal bending segments. As such we have got to really address that.

There is a need to variablize that infrastructure and to the greatest degree do a little bit of labor -- if you will, labor trading between the differences in rates. The other thing that I think is critical for us to address is that is the focus on working capital, most specifically inventory and those are clearly opportunities for us on a go-forward basis. We are focused on that, focused on the efficiency side of it.

But most importantly I think one of the things that we can't lose track of is we're not just a grinder business in a sense of just making things more and only more efficiently. We are also about expanding our market presence and also growing globally. I would like to see us have a bigger footprint over time from a global perspective. And that will come in the form of not only US shipments outside our domestic borders but also physical footprint outside the US. Those would be the three, Steve, that are critical I think for the organization over the next 36 months.

**Steve Barger** - *KeyBanc Capital Markets - Analyst*

Now are those things concurrent or will they occur in the order in which you talked about them?

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

No management team can only the one thing at a time. I don't mean to make light of it. We need to be able to do those things consecutively and concurrently.

**Operator**

Robert Schenosky, Jefferies.

**Robert Schenosky** - *Jefferies & Company - Analyst*

A couple ones, a couple questions here. The first is I may have missed it but what was the revenue benefit in dollars from FX as well as operating income benefit?

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

Within the quarter -- Robert, could the narrow your question a bit? Are you talking about the quarter or year-to-date?

**Robert Schenosky** - *Jefferies & Company - Analyst*

I'm sorry, quarter only.

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

For the quarter on the topline it's $4 million and the operating income equivalent was about $0.5 million.

**Robert Schenosky** - *Jefferies & Company - Analyst*

Okay great. Also could you offer any detail in terms of your outlook for charges in the third quarter or the second half from restructuring?

**Grant Beard** - *TriMas Corporation - President, CEO*

No, not really. I think that there's always the potential as we critically look at our fixed cost structure and as we continue to migrate activities into our own low-cost environments in places like Southeast Asia or Mexico or to our supply base, there's always the potential to make a good investment that may require a modest charge. But we don't have anything to profile right now of order of magnitude.

**Robert Schenosky** - *Jefferies & Company - Analyst*

Okay thanks. My final question is related to the aerospace business. Many of the other companies that we follow have noted weakness or a lack of pickup in their business. Can you talk about areas of strength for you and if you have any concerns related to the aerospace business in the back half of the year?

**Grant Beard** - *TriMas Corporation - President, CEO*

That certainly gets a lot of attention. We right now have a record backlog in our business and some of that has been driven by our product expansion. So we are getting a lot more content than we have in the past because of the broadening of our fasting product line. I think that the backlog for orders for not only commercial but military aircraft is so substantial that while things are moving around a little bit, it has no short-term or even moderate-term bearing on our outlook for our business.

**Robert Schenosky** - *Jefferies & Company - Analyst*

And are you willing to offer some sense of the breakout between commercial and military in the backlog?

**Grant Beard** - *TriMas Corporation - President, CEO*

Right now it's probably two-thirds one-third, maybe a little bit more than that.

**Operator**

Alan Weber, Robotti & Co.

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

On the total RV and trailer products and recreational accessories, can you break down what percent of that is directly tied to the RV business whether it's the aftermarket or as you talked about customize products?

**Grant Beard** - *TriMas Corporation - President, CEO*

That's a great question and regretfully somewhat difficult to answer because as we sell through two-step distribution sometimes it is hard to follow where our product goes. I would say in the mid-teens but that would be an estimate.

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

Now when you say mid-teens -- what is mid-teens?

**Grant Beard** - *TriMas Corporation - President, CEO*

Like 15%.

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

15% is directed to (multiple speakers)

**Grant Beard** - *TriMas Corporation - President, CEO*

Or indirectly. We sell a fair amount of accessories around towing applications to wholesale distributors who in turn sell them to installers and it is a little bit hard at times to know if that towing package went on to a vehicle that's a trailer for an animal or an agricultural application or a pop-up camper. It's a little bit hard to follow that pull. But I think my numbers are pretty darn close.

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

okay and when you talk about the market being down 15% and you were down 5%, that 15% than is what market?

**Grant Beard** - *TriMas Corporation - President, CEO*

That really is an aggregate and I think frankly it's a very conservative number. We track new trailer registrations which are down over 20% year-to-date. Again those trailers would service a whole range of end markets whether they be construction, agriculture or for the general leisure market.

We look at truck aftermarket and truck OE applications and that would be factored into that number. We look at the demand pulls from our wholesale distributors and what their experiences are. We try to track RV OE activity and boat sales and those type things.

I would think that our 15 is a very conservative number. So it is an amalgamation of a whole bunch of different markets weighted to our exposure in those markets

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

Great, and my final unrelated question. The previous question was about the aerospace fastener business and your backlog is up. Can you just kind of give a guess in terms of long you think that business should be able to grow?

**Grant Beard** - *TriMas Corporation - President, CEO*

Right now there's a substantial commercial backlog and as airplanes are looking to displace metal and put more composites in, we are going to pick up commensurate more content. The other thing that has happened is our average dollar per airplane is going up with our new titanium product lines that really for the first time is taking us away from the structural skeleton of the airplane and getting us into the fuselage, wing and tail applications.

So we expect frankly to be able to grow for the short and medium-term faster than the underlying market. And the military spend and sort of the advent of unmanned type craft is very good for us because those are very high content for our type of fastening. So I know I'm not directly speaking to your question but we think the attributes of our products and where we are positioned are very favorable even though the backlog of seven years of commercial aircraft might get worked down to four or five. We see a very good runway for ourselves in the short and medium-term.

---

**Operator**

There are no further questions at this time.

---

**Grant Beard** - *TriMas Corporation - President, CEO*

Well if there are no further questions, we would like to thank everybody for participating on the call and this concludes the TriMas second-quarter call. Thank you.

---

**Operator**

Ladies and gentlemen this does conclude today's presentation. You may now disconnect.

---