

# FINAL TRANSCRIPT

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## **CAS - Q2 2010 A.M. Castle & Co Earnings Conference Call**

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**Katie Pyra**

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**Phillip Gibbs**

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**Dan Whalen**

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## PRESENTATION

**Operator**

Thank you for standing by and welcome to the A.M. Castle & Company Second Quarter 2010 earnings conference call. (Operator Instructions). As a reminder this conference call is being recorded, today, Tuesday July 27, 2010. I would now like to turn the conference over to Katie Pyra with FD. Please go ahead.

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**Katie Pyra** - *FD Ashton Partners - Investor Relations*

Thank you. Good morning. Thank you everyone for joining us for A.M. Castle's 2010 second quarter conference call. By now you should have all received a copy of this morning's press release. If anyone still needs one, please call my office at 312-553-6717 and we will send you a copy immediately following the conference call.

With us from management of Castle this morning are Mike Goldberg, President and CEO, and Scott Stephens, Vice President of Finance and CFO. As a reminder, this call is being recorded.

Certain information relating to projections of the company's results that will be discussed during today's call may be characterized as forward looking under the Private Securities Litigation Reform Act of 1995. Those statements are based on current expectations and assumptions that are subject to a number of factors that could cause actual results to differ materially. Additional information concerning these factors is contained in the Risk Factors section of the company's most recent Form 10-K and other reports and filings with the SEC. And also in the cautionary statement contained in today's release. The company does not undertake any duty to update any forward looking statements.

This presentation also includes certain non-GAAP financial measures in an effort to provide additional information to investors. All non-GAAP measures have been reconciled to their related GAAP measures in accordance with SEC rules. You will find the reconciliation in the financial information attached to today's release which is available on the company's website at [www.amcastle.com](http://www.amcastle.com) under the Investors tab in the Form 8K submitted to the SEC.



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And now I will turn the call over to Mike Goldberg. Go ahead Mike.

**Mike Goldberg** - *A.M. Castle & Co. - President and CEO*

Thanks Katie. Good morning everyone. On today's call Scott and I will review our second quarter results and comment on the current business environment and our outlook for the remainder of 2010 and also give you a longer term view to some of our markets.

First, a quick recap of our financial results. Second quarter consolidated net sales were \$240.1 million which is \$45 million or 23% higher than in the second quarter of last year. Year to date sales were \$463.1 million, a 3.5% increase compared to the first half of 2009.

The Company reported net income for the quarter of \$0.4 million, or \$0.02 per diluted share as compared to a net loss of \$5.5 million or \$0.24 per diluted share in the prior year period.

For the first of 2010, the Company reported a net loss of \$4.2 million or \$0.18 per diluted share versus a net loss of \$5 million or \$0.22 per diluted share in the first half of 2009.

Second quarter net sales in our metals segment rose 22.5% to \$213.3 million compared to \$174.1 million for the same period last year. The sales increase reflects stronger volumes as tons sold per day were up 20.6% from the comparable period in 2009.

The largest sales increase were in our [alloy bar] products, primarily reflecting continued pickup in our general industrial and oil and gas markets.

Sequentially, second quarter metals ton sold per day were up 3.5% over Q1 2010 and metals net sales were 6.8% higher than Q1 of 2010.

Sales for our plastics segment were \$26.8 million, an increase \$5.8 million or 27.6% over the second quarter of 2009. Year to date, plastics sales were \$50.1 million to a (inaudible) 2010, 19% higher than the first half of 2009.

Sequentially, plastics sales were 15% higher in Q2 versus Q1 of this year.

So now for a few market observations. In the second half of last year we saw signs that the overall market was slowly beginning to come out of its deep recession. We saw productivity and inquiries picking up in all of our end markets, albeit very slowly. In the first quarter we saw a year over year increase in metals volumes for the first time since mid-2008. And sequentially tons sold per day were 22% higher in the first quarter of '10 than the first quarter of '09. In the second quarter we saw a further increase in tons sold per day of 3.5% over the first quarter of 2010.

The last time we told you we expected to return to profitability in the second half of the year provided the economy continued its recovery. Since then business conditions have continued to improve and as you saw with today's release we returned to profitability somewhat earlier than anticipated. However, as further indicated by the momentum of the first quarter has slowed, we do not anticipate business conditions to slip back, nor do we expect a significant further growth for the balance of the year.

Our customers are still quite optimistic and most did not have any extended shut downs during the early July holiday period. And as with most others in the economy, they remain cautious. The stocking, with the exception of aerospace, appears to have ended; the customers are not looking to restock or build their inventories. Instead, most continue to make purchases only to fill their most immediate needs.



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After incremental increases in the first quarter, our pricing continued to be high in the second quarter. We saw some increases in carbon and alloy bar prices, somewhat offset by declines in scrap. Scrap surcharges rose early in the year but fell back a little. But we expect them to remain relatively stable for the balance of 2010.

Commodities spiked early, followed by a fall back and then a recovery. And we are relatively stable through most of the second quarter. Supply and lead times pushed out a little for carbon and alloy bar but contracted for plate. The carbon and alloy plate markets remain relatively weak. Many economists point to today's mixed data as evidence that the recovery maybe taking a pause for several quarters of growth. Aero business may be doing a bit of the same.

For the balance of the year we anticipate that the margin should at least be similar to second quarter levels.

Now I will make a few specific end market comments. In the general industrial area it appears that customer inventories are now back in line. The increased demand for mining equipment continues strong, driven by foreign consumption of coal and raw materials. The defense market continues to be relatively strong, especially for our programs with the Navy. Many of our large OEM customers were busy in the second quarter, and we saw signs of the pickup in demand across many sectors of the heavy industrial equipment industry -- compressors, the heat exchanges, industrial gears and [fuel power].

On the other hand, the demand for aerial and mobile cranes remains low as that sector continues to carry a heavy finished goods inventory.

Next I will move on to oil and gas, a market where customer sentiment continues to be largely positive. In the second quarter we opened a new facility in Lafayette, Louisiana that better positions us to provide enhanced services and value-added solutions to customers in the Gulf region. Speed to market is critically important in this region and we can now offer daily product deliveries into the Lafayette market.

The Gulf oil spill has not impacted our business directly in any significant way. The spill impacted our sales activity by an estimated \$200,000 to \$300,000 for the second quarter, caused by our customer's concerns over the potential long-term effect on the Gulf region while the well remained uncapped as well as the uncertainty caused by the government's deep water drilling ban. Now that the well closure appears to be complete and customers have been able to redeploy rigs to other areas, sales in July for the Gulf region appear to be returning to pre-spill levels.

Our international oil and gas business continues to grow with June representing our highest sales months yet in 2010. International expansion will continue to be a critical part of the growth story for oil and gas.

Now a few words about aerospace. Lead times for heat treated aluminum plate remain short and capacity continues to exceed demand. Prices have remained flat during the second quarter and we would expect them to continue at these levels until this excess supply dries up.

In the commercial aircraft business optimism is spreading. Air traffic is improving as is cargo. (Inaudible) air show confirmed recent recovery of its scene in air traffic and new orders at the show exceeded expectations.

The business in general aviation sector is improving but still remains slow and severely overstocked.

Our defense rated aerospace business remains relatively strong. In April we announced a signing of the memorandum agreement with Lockheed Martin to enter into a six-year contract extension for the F-35 Joint Strike Fighter program. Our projections still call for a slow ramp-up in the next three years, escalating to full production in 2016. We expect annual revenue from the JSF program to be in the \$15 million to \$20 million range for both 2010 and 2011.



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Finally, I want to discuss what we are seeing in our plastics business. Activity has been relatively good and with particular strength in the retail point of purchase display at Life Science Market. The plastics machine parts business we do for the automotive sector has also continued to be strong.

Now, a few comments on the progress of some of our key priorities in 2010. Our metals business continues to enjoy the benefits of operating on a common [Oracle] platform across virtually all locations in the US and Canada. We are working to improve the new system and our proficiency in using it. And next year we plan to complete the final stage of our ERP implementation, converting our international operations to Oracle.

We also continue to make good progress on inventory efficiency. At the end of December 2009 our average day sales inventory, our DSI, was 183 on a trending three-month basis. We were able to reduce DSI to 150 days at the end of the first quarter and to 142 days at the end of the second quarter. Our core plate plastics businesses returned to normal DSI levels during the quarter. And it is somewhat offset by continued overhang in aerospace and oil and gas. Having said that, both aerospace and oil and gas achieved DSI improvements in the second quarter and are continuing to progress. By year-end we expect our DSI in total to approximate historical levels.

Our average day sales outstanding also continued to come in nicely at 49.3 compared to 54.1 at year-end. We expect to at least maintain this improved level through the balance of the year.

We believe that the short-term outlook for the balance of the year seems to be set. No surge of business is expected but no double dip either. I would like to share some general industry research on the longer-term outlook for our end use markets. While this information is from sources outside the company, we believe it is reliable and hence are very optimistic about the longer term.

Our oil and gas business is directly correlated with rig counts, though for the next few years rig count is anticipated to increase from the trough last year of 3200 to 4000 by 2013. Spending in this sector is expected to continue at a very healthy rate for the foreseeable future.

In aerospace the long-term prospects remain good. Over the next twenty years it is forecasted that commercial airlines will require about 30,900 new planes. But more importantly over the next five years we expect solid growth and with additional builds of wide body planes. We believe supply could tighten up over this period.

In the general industrial segment our recovery from machine tools, construction equipment, mining equipment, power generation and alternative energy is expected in the next three to five years to levels similar to 2007 and 2008. All of our markets are forecasted to return to health in the longer-term and we expect to see that ramp up beginning in 2011, especially as there is, or we expect there to be little inventory in the supply chain. We believe we will be well positioned to take advantage of this next market recovery.

I would just like to take a moment to recognize our employees for their efforts and sacrifices over the past year contributed to the Company's return to profitability in the second quarter. Our customers recently have also recognized our employee's dedication and efforts resulting in three customer recognition awards received during this quarter. Our oil and gas business was recognized as supplier of the quarter by Halliburton Completion Tools at their Carrollton, Texas facility; choosing Castle for this honor out of more than 800 suppliers.

In aerospace our Los Angeles branch recently received a 2009 preferred platinum supplier award from Northrop Grumman Corp, one of only 69 suppliers out of a total of [684] to receive this honor. And in our plastics business our Grand Rapids branch was recently named innovative supplier of the year at Haworth Inc's 2010 supplier expectations and appreciation day, one of only 13 suppliers recognized out of more than 500. The team there received special recognition for product diversity and a strong service focus.



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So a lot of good things happening in the business, so at this time I will turn things over to Scott to give you some more detailed review of the numbers.

**Scott Stephens** - A.M. Castle & Co. - Vice President of Finance and CFO

Thanks, Mike. Good morning everyone. I will start with a summary of our second quarter and year-to-date financial comparisons and then provide some commentary on our balance sheet and cash results through June.

Consolidated second quarter sales were \$240.1 million which was \$45 million or 23% higher than the second quarter of last year. In the metals segment we reported second quarter sales of \$213.3 million, which was \$39.2 million or 22.5% higher than last year. Overall tons sold per day were up 20.6% versus the second quarter of 2009. Sequentially, second quarter of 2010 tons sold per day were 3.5% above first quarter 2010 levels, demonstrating the improving trend in the demand environment in our various end markets that Mike spoke about earlier.

On the plastics side, Q2 2010 net sales were \$26.8 million which was 27.6% higher than the second quarter of 2009.

The consolidated gross margin rate for the second quarter of 2010 was 25.7% of sales as compared to the prior year period at 25.6%. Gross profit increased sequentially 150 basis points from 24.2% in the first quarter of this year.

We said after Q1 that we expected our margins to improve sequentially throughout the balance of 2010. And we are pleased with our ability to effectively leverage the improved demand environment and our improved inventory position into stronger margin performance compared to the first quarter of this year.

If the demand environment remains firm, we expect margins to continue to improve in the second half of 2010 from the 25.7% level achieved in Q1.

The company recorded \$3 million of LIFO expense in the second quarter compared to \$2 million in the first quarter of this year and compared to \$15 million of LIFO income in Q2 of the prior year. We expect our LIFO charges for the balance of the year to be comparable to our second quarter levels based on our market outlook today.

Second quarter consolidated operating expenses were \$61.3 million which was \$3.7 million or 6.4% higher than last year and comparable to \$61 million in Q1 of this year. As we had expected, certain elements of our compensation and benefit cuts from 2009 were restored during the second quarter.

At the end of June our headcount levels are relatively unchanged from a year ago and as we mentioned our Q2 volume was up over 20% from last year. At current levels our annualized operating costs are approximately \$245 million. This represents a 3.4% increase from the actual annual operating cost for the full-year 2009 and in an environment with substantially higher shipping volumes than last year.

We expect to take a conservative approach to managing our cost levels in conjunction with the ongoing market recovery. At this point we don't anticipate any significant changes in our operating cost environment for the balance of 2010.

Consolidated operating income for the quarter was \$0.3 million compared to a \$7.6 million operating loss in the prior year quarter. Joint venture equity income was \$1.4 million for the quarter compared to \$0.2 million loss in the same period last year. Interest expense was \$1.3 million for the quarter or \$0.3 million lower than the prior year due to lower borrowings.

Our second quarter tax rate was 7.2% compared to a full-year benefit rate of 37.3% in 2009. Fluctuations in our effective tax rate typically are due to changes in the geographic mix of income and losses. We expect the full-year 2010 effective tax rate to approximate 40%.

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For the second quarter the company reported net income of \$0.4 million or \$0.02 per diluted share. In the prior year quarter the company reported a net loss of \$0.24 per diluted share.

Now I will briefly go through the six-month comparative results. Consolidated sales for year-to-date June were \$463.1 million which is \$15.8 million or 3.5% higher than the first half of 2009. Consolidated gross margin rate for the first half of 2010 was 24.9% of sales as compared to 26.8% in the prior year period. As I mentioned earlier we do expect gross margins to continue to improve throughout the remainder of 2010.

For the first half of 2010 consolidated operating expenses were \$122.3 million which is \$3.6 million or 2.9% lower than last year. Consolidated operating loss for the first half of 2010 was \$6.8 million versus a prior year operating loss of \$5.9 million.

Joint venture equity income was \$2.3 million for the first half of 2010 versus a loss of \$0.2 million for the first half of 2009.

Interest expense of \$2.5 million was \$0.7 million lower than the prior year.

Net loss reported for the first half of 2010 was \$4.2 million or \$0.18 per diluted share compared to a first half 2009 loss of \$0.22 per diluted share.

Now on to the balance sheet and working capital. During the second quarter inventory increased \$4 million to support the increase in sales. However, our continued focus on working capital management in conjunction with the market demand recovery resulted in an 8-day reduction in DSI to 142 days at the end of Q2 compared to 150 days at the end of Q1.

Inventory turn levels have returned to near normal in most of our businesses except aerospace and oil and gas. Mike mentioned earlier that we expect the oversupply situation in heat treated aluminum plate to moderate starting at the end of the year. Our oil and gas inventory turns have improved dramatically over the past two quarters and should be at normal levels in the second half of this year.

Average receivable DSO declined from 54.1 days in 2009 to 49.3 at the end of Q2. We anticipate that our 2010 DSO rate will stay below 50.

Our bad debt write-offs remain at low levels, just \$190,000 for Q2 compared to \$205,000 in the first quarter of the year.

Debt increased during the quarter by \$2.6 million in response to working capital needed to fund increased sales activity and as of June 30 our debt to capital ratio was 21.5% compared to 21.9% at year-end 2009. Total debt outstanding at June 30 was \$85.9 million compared to \$89.2 million at the end of last year.

Earlier this year we spoke about our plans to evaluate strategic acquisitions this year, most likely in the second half of 2010. We still plan to be active in the M&A area and our strong balance sheet and low debt levels position us well to explore strategic acquisition opportunities.

Capital expenditures in the quarter were \$1.3 million as compared to \$1.1 million in the second quarter of last year. Year-to-date June capital expenditures were \$3.3 million. We anticipate 2010 capital spending to be similar to 2009 levels for approximately \$8 million to \$10 million.

In terms of our outlook for the second half of 2010, we do expect the economy overall and our key markets to continue to improve. However, we saw the sequential pace of improvements slow down during the second quarter. At this point we expect demand levels for the second half of 2010 to be consistent with Q2. Longer term we are optimistic about our opportunities for growth in all of our key end markets.

And now we will open up the call for your questions.



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## QUESTIONS AND ANSWERS

### Operator

Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. (Operator Instructions).

And our first question comes from the line of Edward Marshall with Sidoti & Company. Please go ahead.

### Edward Marshall - Sidoti & Company - Analyst

Good morning guys and thanks for taking my call. Just wanted to quickly ask the trends that you saw through the second quarter, if you can kind of month-by-month -- I'm assuming the strength was in April and then kind of ebbed throughout the remainder of the quarter. Is that the right way to look at it?

### Mike Goldberg - A.M. Castle & Co. - President and CEO

That's exactly the right way to look at it. April was actually our strongest month and then we had a slight softening in May and June.

### Edward Marshall - Sidoti & Company - Analyst

Okay. And then so is the second half volume relative to the first half volume that you spoke of in your outlook -- is that partly a conservative note as normal seasonal patterns occur or is that something more about early restocking is over and gradual improvement on the economy is going forward similar to what economic activity is?

### Mike Goldberg - A.M. Castle & Co. - President and CEO

I think a bit of both. We always see, there are always kind of fewer shipping days in the second half typically around the Halloween period, especially in December. So that tends to moderate second half volume activity. But kind of general markets, as we said, we think with the exception of aerospace the destocking phenomenon is over; we don't see restocking going on so we are looking at kind of second quarter volumes being reflective of real demand and we don't see any indication that that should change substantially.

### Edward Marshall - Sidoti & Company - Analyst

Okay, thank you very much.

### Operator

Thank you. (Operator Instructions). And our next question comes from the line of Phillip Gibbs with Key Banc Capital Markets. Please go ahead.

### Phillip Gibbs - Key Banc Capital Markets - Analyst

Hi guys.



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**Scott Stephens** - A.M. Castle & Co. - Vice President of Finance and CFO

Good morning.

**Phillip Gibbs** - Key Banc Capital Markets - Analyst

Your comments on the oil and gas market and the strength that we have seen coming off of the bottom of the second quarter of last year -- do you expect -- you said that the overall business is expected to moderate but would you point to some moderation in the oil and gas markets given the fact that pricing remains relatively stable and rig counts keep rising at this point? What is your view in the near-term there?

**Scott Stephens** - A.M. Castle & Co. - Vice President of Finance and CFO

Well I think Phil we would expect continued improvement there. Mike mentioned a modest impact, but an impact nonetheless in Q2 from the spill and the fear factor that came with that. So yes, you are right; the expectations are the rig counts continue to increase and therefore we would expect continued improvement there. So not dramatic enough to change our overall outlook for the company -- that's roughly 10% to 15% of our total business. But nonetheless, yes, I think we would expect near-term continued improvement out of the oil and gas business.

**Phillip Gibbs** - Key Banc Capital Markets - Analyst

How should we be viewing pricing on a sequential basis? I know you said surcharges have backed off a bit; we have seen that in the nickel arena and in both the carbon markets as well. But I know you have a lot of program-based and contract-based business -- pricing probably holds up fairly well on kind of flattish volume or is pricing down a bit, volume somewhat flattish? Is that how we should look at it on a seasonally adjusted basis?

**Mike Goldberg** - A.M. Castle & Co. - President and CEO

I think that pricing should be, surcharge issues aside, should be fairly firm for us. There has been a lot of discussion around kind of weaknesses in flat roll prices. That obviously doesn't impact us directly. And certainly the bar markets are pretty decent at the moment. So I don't anticipate that we should see price weakness in those markets. So kind of subject to the vagrancies of surcharges -- we are looking at firm pricing for the balance of the year.

**Phillip Gibbs** - Key Banc Capital Markets - Analyst

Okay. And then my last question here is on the gross profit margin. Getting that to improve for the balance of the year with stable LIFO expense, is that predominantly attributable to better inventories -- better inventory management -- in the back half of the year as you dig through some of that oil and gas and aerospace inventory?

**Mike Goldberg** - A.M. Castle & Co. - President and CEO

I think we are both going to comment on this. See if we say the same thing. I think to some degree yes, and then to another degree it took the efforts from our people to try to improve our gross margins. It can't be underestimated on that. But certainly the inventories situation is increasingly better and that helps.

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**Scott Stephens** - A.M. Castle & Co. - Vice President of Finance and CFO

Yes, I would just add that we wouldn't expect it to be dramatic maybe not as significant as the Q1 to Q2 improvement. But you kind of said it in your question, Phil, the inventory situation should continue to improve; we talked about aerospace and oil and gas as our primary focal points for improvement. If the demand market allows us to continue to improve there on our inventory position then margin performance should come with that; and that would probably be the most significant driver of improvement. And again, so long as the broad market demand stays firm as we expect it to.

**Phillip Gibbs** - Key Banc Capital Markets - Analyst

Okay, so it is internal execution from your commercial sales team coupled with some reduction in inventories in some of those later cycle end markets which kind of gets you there. Am I looking at that correctly?

**Mike Goldberg** - A.M. Castle & Co. - President and CEO

That's a pretty good description. Yes.

**Phillip Gibbs** - Key Banc Capital Markets - Analyst

Thanks guys. Congratulations on getting back to profitability here.

**Scott Stephens** - A.M. Castle & Co. - Vice President of Finance and CFO

Thanks Phil.

**Operator**

Thank you. Our next question comes from the line of Dan Whalen with CapStone Investments. Please go ahead.

**Dan Whalen** - CapStone Investments - Analyst

Great. Good morning everyone. You mentioned acquisitions. Can you give a sense of how your pipeline for potential acquisition candidates has changed in the past quarter? Is it much deeper? Is pricing changing much?

**Mike Goldberg** - A.M. Castle & Co. - President and CEO

Well there has been pretty little activity in the acquisition market in the industry. So it is always tough to kind of talk about pricing when there are not many transactions going on. I think as many people would discuss that certainly over the last six months there has been a mismatch between what people are willing to pay and what people are willing to sell out. And I think our expectation is that over time that gap will start to narrow as general industry performance improves and the outlooks get stronger that we would expect to see the number of companies for sale improve and the number of transactions completed increasing. So it has been pretty quiet for a period of time. We would expect this now to heat up a little but if I had to kind of guess I would think it might be, in terms of the market, more activity in '11 than perhaps in '10, even though there are those tax issues at the end of the year that may give us a full spurt toward the end of the year as well.

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**Scott Stephens** - A.M. Castle & Co. - Vice President of Finance and CFO

And I would just add to that that in terms of the pipeline we have sort of gone from not really having a pipeline to at least legitimately being able to say that you have one. In other words, during the deepest part of the trough in the market the acquisition discussions were largely sort of academic and theoretical and aspirational. Now they have actually, at least you can see them becoming more legitimate or more real discussions as seller's activity starts to make more sense. So from not having a pipeline to actually having one, that is the way I would characterize the change in the pipeline at this point. And just in terms of the overall market, kind of similar; we have kind of gone from seeing virtually no activity in terms of auctions or traditional process to at least seeing some. Still not much and nothing close to what you might call normal but there is some activity going on as of late and as Mike said we would expect that to continue to increase.

**Dan Whalen** - CapStone Investments - Analyst

Great. And just, are you looking for further exposure on any particular end market or product or --?

**Mike Goldberg** - A.M. Castle & Co. - President and CEO

We have said in the past that our acquisitions are going to be connected to our strategy. So we are very interested in expanding our oil and gas presence, continuing to look at aerospace opportunities and then really the third leg would be our kind of industrial markets for alloy bar and plate business. So we are very much focused on our strategy of being a kind of specialized company and the targets would lead us to that strategy in certainly the markets I just mentioned.

**Dan Whalen** - CapStone Investments - Analyst

Great. Thanks a lot.

**Operator**

Thank you. Our next question comes from the line of Tim Hayes of Davenport & Company. Please go ahead.

**Tim Hayes** - Davenport & Company - Analyst

Good morning.

**Scott Stephens** - A.M. Castle & Co. - Vice President of Finance and CFO

Good morning, Tim.

**Tim Hayes** - Davenport & Company - Analyst

This is a question on the heat treated aluminum plate market. Is there -- the overhang in inventories -- do you still expect that to be back in balance maybe by the end of the year? That is generally what we are hearing from the industry, or other participants in the industry.

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**Mike Goldberg** - A.M. Castle & Co. - President and CEO

I wish I knew that exactly. I think it has to improve, right, has to improve kind of day by day, month by month as material gets absorbed. The increase in build rates at Boeing and Airbus which I think are planned for next year, so material will get pulled through late this year, early next year should help. So tough to put a date and a time on it but yes it should get better. If at the end of this year or beginning of next, I think that is -- who knows. But we won't go from night to day. It will be a gradual improvement I would imagine in the marketplace. It is really all around increased build rates to consume the product. And we are going to see that and we are going to see the additional kind of wide body builds which will make a big difference as well.

**Tim Hayes** - Davenport & Company - Analyst

Can you give a sense to are you getting any fresh orders for the A380?

**Mike Goldberg** - A.M. Castle & Co. - President and CEO

Well again, we track the A380 build rate and that kind of goes through our contracts and through the aerospace subcontracting network. So whenever those build rates change we get a pull through.

**Tim Hayes** - Davenport & Company - Analyst

Thank you.

**Operator**

Thank you. (Operator Instructions).

And I show no further questions at this time. I would like to turn the conference back to Mr. Goldberg for closing remarks.

**Mike Goldberg** - A.M. Castle & Co. - President and CEO

Okay, thank you. Thanks everybody for their interest today and we look forward to speaking to you in three months if we don't see you beforehand. Thanks.

**Operator**

Ladies and gentlemen, this concludes the A.M. Castle & Company second quarter 2010 conference call. Thank you for your participation. You may now disconnect.

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