Lindsay Corporation (NYSE:LNN)

Earnings Call Transcript

Wednesday, October 08, 2008 11:00 AM ET

Call Participants

Executives

Mark A. Roth

Richard W. Parod

Timothy J. Paymal

Analysts

Dick Pendig
Kiwi Asset

Joe Giamichael
Rodman & Renshaw, LLC

Michael Holman
Sterne Agee

Ryan Connors
Benning and Scattergood

Unidentified Analyst
Piper Jaffray

Presentation

Operator

Welcome everyone to the Lindsay Corporation's fourth quarter 2008 conference call. (Operator Instructions)

During this call management may make forward-looking statements that are subject to risks and uncertainties, and which reflect management's current beliefs and estimates of future economic circumstances, industry conditions, company performance, and financial results. Forward-looking statements include the information concerning possible or assumed future results of operations of the company and those statements preceded by, followed by, or including the words expectation, outlook, could, may, should or similar expressions.

For these statements we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

Thank you. I would now like to turn the call over to Rick Parod, President and Chief Executive Officer.

Richard W. Parod

Revenues for the fourth quarter of fiscal 2008 increased 100% to $147.2 million as compared to $73.5 million for the same prior year quarter. Net earnings were $11.3 million or $0.90 per diluted share compared with $3.8 million or $0.32 per diluted share in the prior year's fourth quarter.

For the full fiscal 2008 year, revenues were $475.1 million, up 69% from revenues of

$281.9 million reported for fiscal 2007. Net earnings for fiscal 2008 were $39.4 million or $3.20 per diluted share, compared with $15.6 million or $1.31 per diluted share for fiscal 2007.

U.S. irrigation market revenues were $71.9 million for the fourth quarter, increasing 141% over the same quarter last year. For the full fiscal 2008 year, U.S. irrigation revenues were

$239.1 million, up 63% over the previous year.

Economic conditions for U.S. farmers remained robust through the fourth quarter, with comparatively high commodity pricing. In recent weeks, key agricultural commodity prices have pulled back. However, the most current USDA projection for net farm income is $95.7 billion, up 10.3% over the '07 crop year.

International irrigation revenues were $43.3 million for the fourth quarter, up 94% over the same period last year. For the full fiscal 2008 year international irrigation revenues were

$135.8 million, increasing 95% over the previous year.

Similar to the U.S. market, high commodity prices created favorable economic conditions for farmers and a desire to invest in yield enhancing irrigation systems. Contrary to the U.S. market where we estimate that between 40 and 50% of irrigated land is irrigated with mechanized systems, market penetration of mechanized irrigation in the rest of the world is relatively low, estimated to be below 2% of irrigated crop land. A continued need to improve farm efficiency and food production will drive expansion of the mechanized irrigation market globally.

Infrastructure revenues rose to $32 million, up 50% from the fourth quarter of last year. For the full year, infrastructure revenues were $102 million, up 53% over the previous year. During the quarter we realized revenue increases from barrier systems, a range of crash cushions and removable barrier, our diversified manufacturing business and from [Snoline] in Milan, Italy.

Our infrastructure segment has grown significantly since the acquisition of BSI and Snoline. And in recent months we've implemented numerous operational and personnel changes to strengthen the business and further improve performance.

Gross profit rose 103% to $37.4 million for the fourth quarter versus $18.4 million in the same quarter last year on the higher revenues. Gross margin improved to 25.4% versus 25% for the fourth quarter last year. Gross margin on irrigation and products increased during the quarter over the same time last year. The gross margin on infrastructure decreased due to unfavorable product mix, manufacturing variances and higher fuel costs.

As mentioned earlier, organization and operational changes have been implemented to improve the gross margin performance of the infrastructure segment. For the full fiscal 2008 year, gross profit was $123.8 million compared to $69.7 million in the prior year. Gross margin for the year rose to 26.1% compared to 24.7% in fiscal 2007.

During the year, we moved further in our journey to implement lean practices in our organization. I believe the implementation of lean aided us in meeting the significantly expanded irrigation market demand in fiscal 2008 and we expect to see future cost and capital efficiency benefits in fiscal 2009 and beyond.

Total operating expenses for the quarter were $18 million versus $12.5 million in the same quarter last year, primarily due to the inclusion of Watertronics, Inc. acquired in January of this year and higher personnel related expenses. For the quarter, operating expenses were 12.2% of sales compared to 17% in the prior year fourth quarter. Operating margin rose to 13.2% for the quarter versus 8.1% in the fourth quarter last year.

For the full fiscal 2008 year, operating expenses were $61.6 million or 13% of revenues compared to $46 million and 16.3% in fiscal 2007. Operating margin for the year was 13.1% compared to 8.4% in fiscal 2007.

Our order backlog rose to 92.3 million on August 31, 2008. This compared to 84.4 million at the end of the third quarter and 49.4 million a year ago on August 31, 2007. The irrigation equipment backlog was up 48 million from the same time last year and infrastructure backlog decreased 5 million. Irrigation backlog specifically represents less than one quarter's worth of revenue and represents a strong start for fiscal 2009.

Our balance sheet is in excellent condition, with cash and cash equivalence of $50.8 million and $31.8 million of debt. During the year we increased cash and marketable securities by

$2.1 million while funding acquisitions of $21 million. Accounts receivable increased

$41.4 million from the same time last year due to the higher revenues, averaging 53 day sales outstanding in accounts receivable compared to 57 days at this time last year.

Inventories increased 12.3 million over the same time last year in support of the higher backlog and averaged 5.9 turns up from 4.4 turns last year. In summary, strong agricultural commodity prices continue to support strong demand for efficient, yield enhancing irrigation equipment. We experienced robust demand for our irrigation equipment globally driven by high economic returns for farmers, global food requirements, agricultural development and water use efficiency demands.

During the past few weeks, there's been a significant reduction in agricultural commodity prices and concern regarding the availability of financing which may impact central customers ability to buy and finance irrigation equipment. These changes have occurred during a seasonally low sales period for the U.S. market, so their impact on our markets in the coming months is indeterminable at this time.

In our infrastructure segment, we're very pleased with the strength of demand and interest in barrier systems unique, moveable product, our barrier product line and the growth we've experienced in our other road safety products. We continue to see many domestic and international opportunities for growth in our infrastructure business, including leveraging across our international platform.

The recent financial market issues have created uncertainty regarding funding that will be available for activities, including infrastructure investments, agricultural development and general equipment purchases by farmers. We will continue to monitor market conditions and make adjustments within our business as appropriate. I would now like to open it up for your questions.

Question and Answer

Operator

(Operator Instructions) Your first question comes from Joe Giamichael - Rodman & Renshaw, LLC.

Joe Giamichael

Rodman & Renshaw, LLC

I just wanted to be clear about the language used in the release and what you mentioned earlier just regarding the backlog. On the irrigation side that was up 48 million over last year which I assume was almost exclusively just irrigation backlog so of the 92 million it's fair to say that sort of 90% or more of that is purely related to irrigation, correct?

Richard W. Parod

I don't recall the exact backlog number of irrigation [inaudible] and it is on the slide deck as

well -

Mark A. Roth

The actual numbers, Joe, its 71.7 million of irrigation backlog and 20.6 million of infrastructure backlog at the end of the quarter and those numbers are in the slide deck.

Joe Giamichael
Rodman & Renshaw, LLC
Can you talk a little bit about what we're seeing on the infrastructure side that, at least in the U.S. this seems to be a lot of projects and no funding, and I know you talked about that briefly? I know there's also been several potential opportunities for you on the international side. Can you just sort of talk about what you're seeing in the demand environment and the money environment there?

Richard W. Parod
Yes. On the infrastructure side of the business, and we'll speak primarily for barrier systems, moveable barrier type projects and road construction type projects, they're still seeing quite a bit of activity. In fact did add in an additional barrier project in this fourth quarter. It had shipments of quick move barriers in the fourth quarter, a fairly sizable project, a little under $10 million. So that was added in in the fourth quarter. And there's significant additional projects that they're working on to date that would add into [inaudible] period.

Right now funding does appear to be a potential issue, primarily in the U.S. market and I would say it's more likely to affect the road construction projects and things like the crash cushion business in the build out of the infrastructure in general. There still seems to be a bit of a differentiation in most areas between, let's say, the quick move barrier projects which are more traffic mitigation oriented versus the crash cushion type projects that are really tied more to highway building.

Joe Giamichael
Rodman & Renshaw, LLC
Just to shift gears to the irrigation side. In Q3 you talked about some supply constraints that you'd been seeing with some of your inputs. Is it safe to say that the slowdown has freed some of that up and just obviously being a lower volume quarter than Q3 has also freed that up? And if not, sort of where are there shortages still?

Richard W. Parod
I think there's a combination of things that happened in the fourth quarter regarding those supply issues. One is that a little bit lower quarter in some respects and the other is the suppliers have been working through those supply issues to either bring on line capacity or make modifications of processes to be able to expand somewhat. So we did see that most of those issues were worked through in the fourth quarter. We really didn't see any supply issues.

Joe Giamichael
Rodman & Renshaw, LLC
Just on the previous quarter, what had some of the shortages been coming in in terms of products or?

Richard W. Parod
In the third quarter we were seeing issues with tires, occasionally it could be sprinklers or cable, just a variety of things. And it did vary. But I think tires was probably a frequent one.

Joe Giamichael
Rodman & Renshaw, LLC
Just one last question on some of the larger international markets, China's been pretty active recently in its attempt to boost grain output. Has that approach been similar to sort of how Brazil went about incentivizing farmers, one to purchase irrigation equipment and two, attempt to raise output? And then following that, can you just touch upon India? I mean, that seems like certainly the next frontier but also a place that I don't think any of us know that have that great of handle on the opportunities at this point.

Richard W. Parod
Yes. Let's talk about China first and say that we've seen some really good progress there in the last few years in terms of government recognizing the benefits of efficient irrigation. The government has stepped in and offered subsidies to farmers to add in efficient irrigation. Primarily its gone into the more potato growing region of the country, but we've definitely seen with the understanding now of what it really does in terms of overall crop production and yield enhancement to add in efficient irrigation. So I would expect to see that continue to expand throughout China.

But I also think that there's some expansion or let's say consolidation of land that needs to take place to continue to facilitate and fuel that, and I think we'll see that over time as well. But I think it's definitely making very good progress. Our sales in China are significantly up from what we would have seen a couple years ago. And we expect to continue to see that grow.

Barring funding issues and things of that nature, but certainly government support is there.

India as you said is one that we are not as knowledgeable about ourselves. Also I'd say that we see it as a vast market with a lot of growth opportunity, but again more small land holdings and some consolidation needs to take place. But I think we're just scratching the surface in terms of India and in terms of really getting in there. We really haven't seen much progress or really much of anything at this time. But it is I think a great potential. But it's going to take a few years to really see that materialize.

Joe Giamichael
Rodman & Renshaw, LLC
I assume you're not committing too much effort in trying to force that market open as well? [Inaudible] sort of wait for it to develop and come to you?

Richard W. Parod
Correct. Well, I wouldn't say wait for it to develop. I think it requires development activity. But I will come back to the point you made first which is we're not committing much in terms of resources to that.

Operator
Your next question comes from [Unidentified Analyst] - Piper Jaffray.

Unidentified Analyst
Piper Jaffray
If we could stay on this international topic for a second. I don't know if you have any updates on the manufacturing facility in China. Is that still expected to be a 2009 event?

Richard W. Parod
Yes it is.

Unidentified Analyst
Piper Jaffray
What international markets are particularly strong for you? Which ones have been weaker in this last quarter?

Richard W. Parod
Well looking at this past quarter, the markets that were strong certainly Brazil was a strong market for us. Mexico has remained a pretty strong market. I have a little more concern about Mexico going forward just in terms of what's happening with the peso and economic conditions there. But it's been a very strong market.

We've seen strength build in South Africa and recently in the Middle East, also recently in Eastern Europe. So we've seen some quick growth there. So those are some of the primary markets as well as China where we've seen the good growth for the past quarter.

Unidentified Analyst
Piper Jaffray
And then how about here domestically? Are you seeing any geographic areas of particular strength here in the States?

Richard W. Parod
Looking at this past year and even the past quarter and past year, it's been pretty - I'd say for the most part across the board through all geographical regions.

Unidentified Analyst
Piper Jaffray
So pretty much everywhere.

Richard W. Parod
I'd say through all the primary irrigated geographical regions. And again I'd come back to - if you look at where the primary irrigated acreage is, it's mostly in the, we'll call it the Midwest to western states and the growth has been pretty much across the board through those markets.

Unidentified Analyst
Piper Jaffray
I also have a question here regarding dry land conversion. Are you seeing more of that? Are people accelerating with respect to dry land conversion, especially in the face of these kinds of higher input costs that farmers are facing?

Richard W. Parod

Well historically what we've seen when we've looked at the whole goods going out the door is a kind of equal split in our sales going to replacement, flood conversion and dry land. And what we saw in '08 was a little of our percentage going into dry land. I wouldn't say it was a very significant increase, but certainly a little bit bigger increase. Which was not surprising, given the commodity prices and the high potential yield improvement that are available to dry land farmers moving to irrigated land. So there's definitely been a step up in this past year of conversion of that dry land acreage.

Unidentified Analyst

Piper Jaffray

And you saw that trend continue in this last quarter?

Richard W. Parod

We did.

Operator

Your next question comes from Ryan [Connors] - Benning and Scattergood.

Ryan Connors

Benning and Scattergood

Are you able to provide us with either the operating income breakdown and/or the operating margin percentage breakdown by segment?

Timothy J. Paymal

Yes Ryan. I can give you that information. On the irrigation segment what you will see in the

10-K is 20.2% on the irrigation side this year and on infrastructure side you will see 16.7%. I would like to add additional commentary to that.

In fiscal year '08 we had some allocation changes between infrastructure and irrigation and that meant an improvement to irrigation of less than 1% on the operating margin line and a decrease in the operating margin percent on the infrastructure line of slightly more than 2%. Excluding the allocation changes, we are seeing a decrease in operating margin on the infrastructure side, and that's primarily due to [BFI]. We're seeing some unfavorable product mix, manufacturing variances and higher steel costs.

Ryan Connors

Benning and Scattergood

On irrigation it seems the domestic irrigation revenue in particular sort of accelerated very nicely and reversed the trend we had seen the last few quarters where international was the faster growth area. I wonder if you could just give us some color and talk about that for a minute, Rick. And what is it that was driving that?

Richard W. Parod

There's a couple of things that would drive that. One is in the fourth quarter we would have seen some of the storm damaged machines that we talked about in the third quarter that would have moved out in the fourth quarter. And that probably could have been as much as 10 to 15% of the total North America irrigation revenue. It could have been tied to the storm damage, that would be machine and/or parts. So that would certainly have aided that fourth quarter for North America.

Another one is as you know the economic stimulus package, there's the accelerated depreciation on that package that's beneficial to farmers. And I think that there is some awareness now that there is a benefit to, by the farmers that there is a benefit to buying this equipment this year and being able to take that accelerated depreciation. So I think we may have seen a bit of that in the fourth quarter when typically that would be a slower quarter for the U.S. market than what we saw this past year.

In addition to that, the dealers certainly knew that we were coming off of a strong year and we're interested in having some stock on hand so we had some dealers stock units. Not a significant amount. But some dealer stock that would have gone into - that the dealers would have actually ordered to go into their inventory in anticipation of demand during the fall time period, prior to the winter time period, to have one or two units on hand. And I say that would never be more than one to two units per any dealer.

So those would be the primary things, as well as just very good overall domestic demand.

Ryan Connors

Benning and Scattergood
And then in terms of the pricing angle, obviously you've given some cautious commentary about the market in general and so forth. I wonder if you could just update us on what pricing looks like. And I guess one aspect of it in particular would be kind of the pass through pricing that you've gotten the last few years, couple years, as fuel and other [input] and zinc and so forth have gone up, you've passed some of that through. How sticky do you think that pricing is with some of those input costs coming down now?

And then outside of the pass through just how is the pricing environment? Still fairly firm?

Richard W. Parod
We haven't really seen a change in the pricing environment at this time, Ryan. I think that things are holding fairly well certainly as of the end of the fourth quarter. And if you look at the what we were seeing through the fourth quarter and the fiscal year, basically about three quarters of the growth was unit growth and this is on a global basis; about a fourth would have been price overall, would have been a slightly different mix in the U.S. market, but that's a global basis.

I'd say overall there's been a general stickiness in terms of price. We hope that that's going to continue. And I'd also add I don't think we've seen significant change in manufacturing input costs that would warrant a change in pricing at this stage.

Ryan Connors
Benning and Scattergood
And then Rick your commentary on the financing environment obviously it seems like you're pretty, really pessimistic there. That seems to run counter to some of the things that we're hearing on the checks that we do, and some people saying that the banks that do a lot of farm lending aren't involved in a lot of this esoteric stuff that's gotten the money center banks in so much trouble.

And that therefore the finance environment is better on a relative basis, at least, in the farm belt than it is on the coast. So I wonder if you'd just give us a little more color about what exactly is driving you to be what seems like very, very cautious on that financing commentary.

Richard W. Parod
I hesitate to call it pessimistic, because I'm not pessimistic. In fact, we spoke to one of the primary lenders that support the growers in buying or financing the purchase of our equipment just this past Friday to verify what their status was and their availability of funds which everything seemed to be okay. The interest rates had moved up a little bit, but in general financing seems to be flowing fine.

So I wouldn't call it pessimistic, I would call it more cautionary from the standpoint of many of the things that we're seeing today in the financial markets we wouldn't have necessarily predicted two weeks ago. So in terms of what the spill over is or what implications those have downstream, I wouldn't want to really guess or speculate on that, or mislead anyone. But I'd say that based on what we know there's not a reason - we're not necessarily pessimistic about this or have a specific caution on it.

It's just we think that there's a lot going on in the financial markets today that has implications, and those implications are really not determinable at this point in both the domestic and international markets.

Ryan Connors
Benning and Scattergood
Rick, in the press release you mentioned share repurchases as a potential avenue for cash deployment. Is that something that's under active consideration or should we read that more as a generic comment?

Richard W. Parod
We have an outstanding share repurchase authorization and it is always a consideration. We weigh that against other investment options or other options that we would consider similar to acquisitions or organic growth investment. It is always a consideration. It will continue to be one.

Operator
Your next question comes from Michael [Holman] - Sterne Agee.

Michael Holman
Sterne Agee
In the fourth quarter what was the effective tax rate in the fourth quarter? It looked like it was a little bit higher. Can you clear that up for me?

Richard W. Parod

That is true. The effective tax rate in the fourth quarter was 40.1%. A couple of international specific issues drove that effective tax rate up in the fourth quarter.

Michael Holman

Sterne Agee

Going forward do you expect that to continue? Or do you look at, I think historically you've been in the 34, 35 range.

Richard W. Parod

That's what I would expect going forward.

Michael Holman

Sterne Agee

For the fourth quarter, I know you gave percentages for the year on the operating income by segment or the operating margin. Do you have fourth quarter dollars in terms of your operating income by segment?

Timothy J. Paymal

I do. On the irrigation side the revenue dollars would be $52.2 million and the irrigation side would be $115.2 million. And on the infrastructure side the revenue dollars would be

$21.4 million for prior year and $31.9 million for the current year.

Michael Holman

Sterne Agee

I'm sorry. What I meant was the operating income by segment for the fourth quarter. Not the revenue.

Timothy J. Paymal

$7.8 million for the operating income number for irrigation for the fourth quarter and

$23.4 million for the fourth quarter of fiscal year '08. And on the infrastructure side, the operating income that will show is $4.2 million and operating income for fiscal year '08 on the infrastructure side will be $5.2 million.

Michael Holman

Sterne Agee

There was a proceed from a settlement of a net investment hedge. Is that a currency hedge or is there a materials? Could you talk about that please? On the cashier statement for the year.

Mark A. Roth

We have effectively hedged our foreign business units [inaudible] exposure through currency hedges so through the quarter we would've kept those hedges and then would have had transactions on those hedges also.

Michael Holman

Sterne Agee

Is that something new that you were doing this year?

Mark A. Roth

This is something new that we've done in this fiscal year with regards to protecting our foreign business units and strength for the dollar.

Michael Holman

Sterne Agee

So you're hedging against dollar strength, correct? To be clear?

Mark A. Roth

That's correct. We would have hedged in the quarter against dollar strength.

Michael Holman

Sterne Agee

In terms of the international irrigation with respect to China and Brazil, can you kind of just update the timeline and what you expect to spend and whether you need to add personnel for those markets?

Richard W. Parod

I would answer it this way. What we expect in full CapEx for '09 at this stage is going to be roughly about the same as '08. So we're looking in the $15 to $20 million CapEx range which would include a piece for China. The amount of CapEx that we're looking for for our China operation is initially quite small. It's probably in the $5 million range, so it's not a very significant amount in terms of CapEx.

There was no specific additional CapEx that was required for Brazil. We have an ongoing investment that we will make there, but nothing specific in terms of a major expansion there.

Michael Holman
Sterne Agee
Putting aside the current credit situation or maybe including it, could you talk about your acquisition program or whether you're reviewing more companies today or fewer? And what that looks like at the moment?

Richard W. Parod
Yes. I would say that we continue to review companies as we have in the past. I wouldn't call it more or fewer. Maybe to some extent our review is stepping up a little bit. I also think that this current situation may create some opportunities from an acquisition standpoint. It has some challenges as well, but may create some interesting opportunities and possibly some more attractive pricing of some of the acquisition candidates. So I think there's some good opportunities that could come from that.

We've tended to look at acquisitions that would be in irrigation or infrastructure, probably in the revenue ranges of $30 to $50 million revenue. I think that we would consider ones larger. We also consider ones smaller that could be product add-ons within those segments. We continue to see quite a few attractive candidates in both irrigation and the infrastructure segments.

Michael Holman
Sterne Agee
I want to go back to the domestic irrigation. With revenues up 140% in the quarter how, as you look out, in terms of bracketing that, realizing you do not provide formal guidance, what kind of bracketing expectations on the domestic market will you expect your irrigation, your international irrigation to again exceed the domestic growth? And the domestic to revert to a more normal level? And what do you think that normal level is?

Richard W. Parod
I think you're getting very close to what I would consider to be guidance on this. I would add that we are dealing with a situation where a time of uncertainty here, in terms of what's happening with financial markets and commodity prices and a number of factors that will influence our business going forward.

So I'm not going to speculate on what those growth rates will be for the two, domestic and international markets, at this time. I would say that we've seen very good growth. We saw some excellent market development, the international market. We expect both of the markets; both international and domestic markets have excellent long term growth opportunities for still additional dry land conversion, water irrigated land conversion and replacement, primarily in the U.S. market.

We see very good long term drivers for those. But I really don't want to get into speculating and giving guidance really on where we think those markets are going to go in the next year.

Mark A. Roth
Michael, before you jump out I do want to clarify one thing and make sure the group is solid on this information. Going forward, the effective tax rate that we expect is between that 34 to 35% tax rate, so I didn't want there to be any misunderstanding there.

Operator
Your next question comes from [Unidentified Analyst] - SMC Capital.

Unidentified Analyst
Piper Jaffray
I just wondered if you could talk briefly and provide any color on how the margins vary with regard to international businesses and the different countries and markets?

Richard W. Parod
Yes. I'll do it in fairly broad terms because for competitive purposes, we do not break out specifically. But I would say that if you were to look at international export margins, which is the units that we're exporting from the U.S. generally they're going to be a few points lower than domestic margins. And part of that will be due to market conditions where

we may have local competition, where we are obviously having to add cost in terms of freight to get it to market. So we'll deal with some lower margins in those cases.

In the international production markets where we have factories in Brazil, France, Africa, our margins will be typically lower than U.S. margins mostly due to the composition of our manufacturing cost structure. And I think I've explained this a bit in the past, but just to give a little more color to it in the U.S. factory, we buy hot rolled coil steel and make our tubing. We do all the welding. We galvanize internally. So it's a very vertically integrated production process.

In most of the international markets in our international factories we're buying tubing from outside and send our materials outside for galvanizing. So we'll have less vertical integration in our manufacturing process. We recognize that our cost margin structure will be a little less optimized in those markets than the U.S. one would be. However, our policy and strategy all along has been to change that cost structure as those markets develop and mature.

So when the markets warrant broader production capabilities, broader production processes, we'll add those in. So in a sense, we'll tend to run lower margins in those markets in the short term until those markets develop further.

Unidentified Analyst

Piper Jaffray

Do you see those markets, after they do develop and you're able to recognize the cost synergies, do you see those becoming approximately equal or equivalent to the U.S. or do you see them being substantially better?

Richard W. Parod

I think they have the opportunity to be equal or in some cases better, in some cases a little worse. And it will vary by region. And the reason I say that is in some of the international markets we may have one basic competitor. Some markets, for example Europe is a particularly interesting one where we have maybe six or seven competitors, mostly small companies that we're competing against. So it will vary depending on specific market conditions. But I think that the opportunity is there in each of the markets to have margins comparable to U.S. type margins.

Operator

Your next question comes from Joe Giamichael - Rodman & Renshaw, LLC.

Joe Giamichael

Rodman & Renshaw, LLC

As you look at the Q1 with an upcoming presidential election you have one candidate who's been pretty public about ending ethanol subsidies. Knowing that the irrigation equipment demand is to some extent sentiment driven, do you get the sense from speaking with dealers that buyers may be sitting on their hands until after the election?

Richard W. Parod

No I would say we haven't really gotten that sense. I would say that buyers right now would probably have a little more of a concern or caution regarding what's happening in the financial markets, plus commodity prices. But I haven't really heard anything regarding sitting on their hands until the election. I think there will be definitely buyers from the domestic market that will be interested in making purchases to take advantage of the accelerated depreciation and tax advantage that they can get. And I believe that their decision will be primarily economic driven based on what they believe they can do in terms of enhancing their returns.

Operator

Your next question comes from Dick [Pendig] - [Kiwi] Asset.

Dick Pendig

Kiwi Asset

I got cut off briefly and missed some of the Q&A. Did you talk about share repurchase and currency translation problems?

Richard W. Parod

We did talk about share repurchase, Dick, and basically what we talked about on that was that we do have an outstanding share repurchase authorization. We do still consider it to be one of the options or one of the tools that we have to work with. And we will continue to do it that way. We do that along with acquisitions and other investments in organic growth opportunities and as all opportunities to create shareholder value.

We did not discuss necessarily the foreign exchange so I'll let Tim discuss that.

Timothy J. Paymal

The foreign exchange impact for the full fiscal year of getting down to the operating income line added operating income of less than 1%.

Dick Pendig

Kiwi Asset

And how do you see the weakness in the euro relative to the dollar? Or contrary wise, the strength in the dollar is going to impact you going forward?

Richard W. Parod

Mark if you want to comment on the balance sheet in terms of what we've done then we can talk about the market.

Mark A. Roth

There's really two aspects. One first of all, the balance sheet. We had in the quarter been hedged from our balance sheet exposure with regards to the euro. So we immunized our balance sheet from that standpoint. And there's obviously market [inaudible] that Rick can adjust.

Richard W. Parod

Yes the interesting thing with the European market is as you know we have an operation in Europe, and we have not been producing pivots in that market. We have produced [closed rules] in that market for the European market. But pivots we've been primarily exporting from the U.S. to Europe for most purposes. There have been a few exceptions because of the value of the euro versus the dollar.

We monitor it and we know that there's a time at which we will switch back to local production versus exporting from the U.S. but the good point is that we do have that option. The option was put in place. We produced in Europe in the past and we can turn it back on as needed.

Operator

There are no further questions at this time.

Richard W. Parod

Thank you. For our business overall the global long term drivers of water conservation, food requirements, environmental concerns, biofuels and improvements in infrastructure remain very positive. In addition to the overall business enhancements that have taken place, we continue to have an ongoing structured acquisition process that has generated additional growth opportunities throughout the world in water and infrastructure.

Lindsay is committed to achieving earnings growth through global market expansion, improvements in margins and strategic acquisitions. We continue to have the financial flexibility to create shareholder value by pursuing the balance of organic growth opportunities through strategic acquisitions, through share repurchases and dividend payments. We thank you for your questions and participation in this call this morning. Thank you.