

**Thermadyne Holdings Corporation
Second Quarter 2007 Earnings Conference Call
August 8, 2007**

Operator: Good morning, my name is Larry and I will be your conference operator today. At this time I would like to welcome everyone to the Thermadyne Holdings Corporation Second Quarter Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speaker's remarks there will be a question and answer period. If you would like to pose a question during this time please press star and then the number one on your keypad. If you would like to withdraw your question press the pound key. Thank you.

It is now my pleasure to turn this over to your host, Paul Melnuk, Chairman and CEO of Thermadyne Holdings. Sir, you may begin your conference.

Paul Melnuk: Thank you Larry. Good morning everybody, I would like to also welcome you to Thermadyne's Earnings conference call. My name is Paul Melnuk, Chairman and Chief Executive Officer. With me today is Steve Schumm, our Chief Financial Officer, and Mark Jolly, Global Controller. We issued a press release yesterday with our second quarter 2007 results and we also filed our form 10Q with the SEC. A copy of the press release and 10Q filing may be obtained from our website at www.thermadyne.com or by contacting investor relations at 636-728-3189.

As we begin let me remind you that this call may contain forward looking statements within the meeting of the Private Securities Litigation Reform Act of 1995. These statements reflect management's current expectations and involve a number of risks and uncertainties. Actual results may differ materially from such statements due to a variety of factors that could adversely affect the company's operating results. These risks and other risks relating to our business are set forth in documents filed with the Securities and Exchange Commission, specifically our most recent annual report on form 10K and other reports filed from time to time with the SEC.

In a moment Steve will discuss in detail the unaudited 2007 second quarter results. Before he does, however, I would like to offer a few highlights.

For the quarter we experienced a 12% year to year sales growth, an improvement over the year to year sales growth in our first quarter. We again recorded a profit and made continued progress in executing our plan to achieve growth and improve returns. Our sales growth during the

period was lead by the success we were seeing in some of our international markets, in particular those in the Asia Pacific and Middle Eastern regions.

We are now beyond the initial turnaround period for Thermadyne, a time when we got the basic fundamentals of the company in order and in doing this we were able to strengthen many parts of the company. To use the mansion renovation analogy I've referred to in previous calls, we've now moved into the mansion although there is still much work to do around us. However we've transformed the company so that Thermadyne now has a strong core operation with a good group of managers capable of executing on our strategy and moving on to the next phase of development. The organization is coming together and we are executing better than in the past. We are sustaining on time delivery and we are experiencing success with our three tiered product strategy. Unfortunately material inflation is continuing with copper prices averaging levels higher than they were at this time last year. However, margins and profitability are improving as we benefit from a market appropriate rebate program, improved pricing discipline, continued cost savings through a TCP process, and the success of new products which represent more than 15% of our sales. Our business plan is generating the results we expect and there remain abundant opportunities for further improvement in the future.

After Steve reviews the financial results for the quarter, I'll offer some comments on the outlook for the balance of the year. Steve.

Steve Schumm: Thanks Paul. My remarks will be focussed on the results of continuing operations. Our operations in South Africa were sold in May, and our operations in Brazil are held for sale as announced in December 2006. Accordingly, both these operations are reclassified in the financial statement presentations for all periods, and shown as discontinued operations.

First let's look at sales. Net sales of \$128.4 million were recorded in the second quarter in 2007. This is an increase of 12.3% over the prior second quarter results. We had particularly strong revenue growth with a gain of approximately 20% in our markets outside North America. As you may recall we got off to a slow start in the first quarter because of the heavy year end buying in 2006 as the old rebate program ended so we were pleased with the solid sales performance in the second quarter. Approximately two percentage points of this increase was attributable to foreign currency translations.

Our gross margin of 29.8% shows a solid improvement over the prior year. It is a 170 basis point increase over the 28.1% in the prior year. As we have mentioned in prior communications this improvement in margins during 2007 actually began in the last half of 2006. A number of our initiatives started to bear fruit and show force in the numbers at that time. More specifically, our focus on pricing administration has been a key

factor in improving the 2007 margins. It complements the beneficial impact of the cost savings we are generating through our continuous improvement process, TCP. Our TCP process provided cost savings of an estimated \$5 million in the quarter and we are now in the third year of TCP and expect benefits again this year comparable to the prior years. But this year we are seeing an increased impact coming from our manufacturing efficiency results or efforts versus the benefits of prior years which were much more procurement related. Our 2007 second quarter margin of 29.8% is approximately 270 basis points less than the first quarter of this year. This difference between the first quarter and second quarter of this year results primarily from the change in mix of products sold during the second quarter in which we experienced an increase in the proportion of filler metal sales and the sales of our new welding equipment, both of which carry lower margins than our other product line, and during the quarter we also had a note worthy increase in our sales outside the United States, which provide slightly lower margins.

SG&A costs in the second quarter of 2007 were \$26.7 million or 20.8% of net sales. The costs are \$2.7 million less than last year, but remember last year's second quarter were those dark days of delayed SEC filings and included \$3.3 million of incremental accounting costs and bond holder fees. As we look forward to the remainder of 2007 we estimate we will keep SG&A expenses at approximately 21% of net sales.

Interest costs in the second quarter increased to \$7.3 million from last year's \$6.3 million. This increase in costs results from the increase in our effective interest rate. The components of our debt financing changed last year increasing our interest costs and that is showing forth in this quarter's results. Last year we added \$20 million of second lien financing and repaid the term loan and paid down our working capital revolver, and a special interest rate factor was added to our subordinated notes last year as a result of our consent agreement with the bond holders. This special interest rate factor was 125 basis points during the quarter.

Income tax expense recorded in the second quarter is 43%, and 55% on a year to date basis. As mentioned in the first quarter this is obviously a high rate and warrants some explanation. Our high rate arises because the benefit of NOLs which are actually sheltering virtually all of our US tax is recorded as a reduction against goodwill and not as a benefit in the income statement. Further, we are required to record US income tax expense in the financial statements on our foreign earnings without recording the benefits of foreign tax credits. Given the complexity of this GAAP accounting it is particularly important to look at our actual cash obligations today and into the near future. Our actual cash payment rate for the first six months is actually 80% of the \$3.6 million of tax expense recorded in the financial statements. These cash tax obligations relate primarily to taxes payable in various foreign companies.

The bottom line for continuing operations shows the company with net income of \$1.7 million in the second quarter. To us that term net income sounds real good, just like it did in the first quarter. And what a difference a year makes. Last year's second quarter reflected a net loss from continuing operations of \$6.5 million.

We are also making good progress in our initiative to dispose of non core businesses. In December we announced our businesses in South Africa and Brazil would be sold and as I mentioned before they have been classified as discontinued operations. During the quarter we closed on the sale of our operations in South Africa and collected approximately \$14 million US. We are to receive another payment in 2011 which is stated in South African Rand plus interest on that note. At today's conversion rate it would be approximately \$4 million US. Our efforts to sell Brazil this year are ongoing and we still plan to complete that process this year.

It also should be noted that we filed a form 8K last night, or this morning. We disclosed therein that we had a material weakness in our calculational procedures associated with the computation of the impairment loss recognized on discontinued operations as of December 31, 2006. As a result, in the second quarter of 2007 we recorded a net gain of \$300,000 in discontinued operations to correct these prior computations. As the 8K states we believe our ongoing efforts to our internal controls have remediated this condition as of June 30, 2007.

We are frequently asked about EBITDA, even though it's a non-GAAP measure. Schedules attached in the earnings release show the computations for the quarter and the year. The operating EBITDA is adjusted in detail in that schedule for the second quarter 2007 was \$14.9 million from continuing operations as compared to \$10.3 million in the prior year.

Let's look at our liquidity position for a moment. During the quarter we had positive cash flow from operations of almost \$14 million after paying \$1.3 million of capital expenditures. This reflects the impact of our earnings during the quarter and the reduced working capital requirements on our business during this quarter. As I previously mentioned we also collected almost \$14 million with the completion of the sale of South Africa. We used the South African related proceeds to pay down our second lien debt.

During this quarter we also signed a new working capital facility with GE and amended our second lien borrowing agreement. The new working capital facility extends the maturity date to June of 2012, increases the revolving credit commitment to \$100 million, provides for lower interest rate percentages and lower fees, and substitutes more flexible covenants. The

second lien agreement extends the maturity to November 2010 and lowers the interest rate from LIBOR plus 450 basis points for LIBOR plus 275 basis points.

Total debt as of June 30, 2007 was a net \$239 million as compared to the prior year's \$256 million. At June 30, 2007 unused availability in cash was \$53 million with \$8 million restricted until a collateral evaluation is completed, which is scheduled to be completed within the next week or two. With that I will turn it back to Paul.

Paul Melnuk: Thanks Steve. We view 2007 as a transition year and with the first consecutive quarterly profitability in many years, we're building momentum. We have a good long term plan to deliver on the potential of the company. For the last two years our condition forced us to focus on short term tactics to address the broad range of issues inhibiting profitability. Now that we have stabilized we can focus on more strategic issues to advance the companies growth prospects, improve our cost position, and further develop the organization.

Toward this end I was pleased that we were able to attract an operation's executive with the capability and experience of Terry Moody who recently joined our executive team as Executive Vice-President of Global Operations. Terry comes to us with more than twenty years in the consumer electronics industry where he lived and worked internationally and learned what it takes to thrive in a cut-throat competitive market. Up to this point our operations have been managed regionally. Terry's charge will be to integrate the operations on a global basis to develop the best total cost structure to support our product and brand strategy. We're already benefiting from his experience and know that he will make a meaningful contribution to our progress in the weeks, months and years to come.

One of the highlights of performance this quarter was the sales results in Asia Pacific and some export markets. These regions benefited from strong economies although we have added sales and marketing resources and are getting strong reception to some of our new products. For example, we have had excellent response to our automated plasma line in Asia and Europe. Additionally our good / better / best tiered product strategy is generating sales in markets such as Latin America and Southeast Asia where we have had difficulty penetrating previously. It is also helping to increase shares in some of the more established markets as we now have products at the more competitive price points. Although margins may be lower on some of this business, our lower cost operations in China, Mexico, and Malaysia makes it possible to land this business and we see opportunity for more growth in the future.

Sales in the US, as Steve mentioned, grew at a slower rate, responding to a more constrained market, notably in the Northeast

and Midwest markets. However, the Gulf Coast, Southeast, and West coast markets remain strong. As we discussed last quarter, our growth rate in the US has also been impacted by our conscious decision to carefully pare less profitable accounts and products. We have made important strides in new product offerings and this ongoing effort will continue to be a key element to our future success. On balance we think we are holding our own in the US markets we serve, and these markets remain solid.

On the operational side, we introduced centralized ordering and distribution in the US in the second quarter. It's been a seamless introduction, well received and another step in improving our service to our customers. Our TCP cost saving cultural change continues to produce results and of course a major element of that will continue to be in manufacturing and sourcing as we look for more ways to reduce costs in existing operations. We are pleased with the progress we've had in our manufacturing and sourcing operations in the last couple of years but our focus in these areas will begin to shift towards a global supply chain model, looking for the best total cost sources to supply for the company.

On August 1st, we instituted a price increase in the range of 2.5% that begins to recapture some of the material inflation that we continue to experience. This has been accepted in the market and we were able to be much more responsive to the inflationary increases as a result of our improved level of customer service.

In summary, we are encouraged about our prospects. The company's strength has always been its brands in its relationships with its customers. Today, we have a solid plan to build on these strengths, a stronger team executing the plan, good markets, and a host of opportunities to improve performance. We're working to the best of our ability to realize the full potential of the company for the benefit of all of our stakeholders and look forward to ongoing improvement and performance.

Larry, at this time we'd like to open it up for questions.

Operator: At this time I would like to remind everyone if you would like to pose a question please press star then the number one on your telephone keypad. That's star then the number one on your telephone keypad. We'll pause just for a moment to compile the Q&A roster. Once again, if you would like to pose a question, that's star, then the number one on your telephone keypad.

The first question comes from Vik Cumar of Soundpost Partners.

Vik Cumar: Hi guys. Could you give me a sense for what do you see as the major factors affecting your gross margin going forward and I guess how do you see gross margin evolving over the rest of the year?

Paul Melnuk: Well, the major factors that have been affecting our margin of course relate to sales mix, the price of our products, material cost inflation and then our ability to take cost out of the business through TCP. As Steve mentioned in his remarks, in this quarter, the sales mix changed with a higher proportion of our sales coming from some of our low margin product line as well as some of the international markets, which have slightly lower margins.

On a go forward basis we continue to see a lot of opportunity to take cost out. Our TCP initiatives are continuing to produce benefits and that will ultimately lead to improvement in margins. Inflation has continued, as I mentioned. We've had copper prices that have averaged upwards of \$3.5 a pound this quarter. Last year in the second quarter, copper prices spiked up but this years' average price has in fact been higher. We've been able to pass on some of that material inflation to our customers in the price increase that I mentioned. So we expect to see steady improvement in margins from better pricing management, our TCP benefits, and the unknown factor that we have in there of course is the impact of inflation.

Vik Cumar: Was the price increase you talked about which was initiated on August 1st. Was that across all product lines? Was it just in the US or globally? How does that work?

Paul Melnuk: It was generally applied across all product lines in all markets.

Vik Cumar: Okay.

Paul Melnuk: There's a few exceptions but generally that's the basics.

Vik Cumar: Then, would it be, given price improvements and further cost reduction, would it be fair, based on what you said, to expect a steady improvement going forward?

Paul Melnuk: Yeah, subject to...

Vik Cumar: There will be issues from increasing - I guess we'll more and more (inaudible) product. International, et cetera, how do you see those two dynamics affecting?

Paul Melnuk: Well, we've just had some very good success in international markets, and in this particular period we had a much higher level of

growth in those markets and in those product lines than some of our others. Our product and brand strategies are taking us into new markets in the US and other developed markets; we're introducing new products into those markets. The major dynamic on gross margin is the relationship between our ability to take cost out of the business, pass on price increases to customers, and the impact of inflation and inflation is the one variable that is largely beyond our control.

Vik Cumar: I guess how has inflation been trending so far quarter over quarter?

Paul Melnuk: Well, as I mentioned, copper, which is one of the largest components of our material purchases, represents about a third of our total material purchases. It's been up, this year, pretty significantly, over the same quarter last year. The trend in material inflation over the last two and a half years has been very significant. Copper today is around \$3.50. It was a little more than that. A couple of years ago at this time it was \$2 a pound less than that.

Vik Cumar: Okay. Thank you for your time. That was my main question.

Paul Melnuk: Thanks Vik.

Operator: Your next question comes from John Lancefield.

John Lancefield: For starters, I missed the magnitude of the August 1st price increase that you'd given. What was that?

Paul Melnuk: In the range of 2.5%.

John Lancefield: Okay. Is it too early to say at this point whether your competitors have followed that, I guess is one question, and the other question would be just given the magnitude of the inflation in copper and other input costs, why 2.5%? That sounds like a smaller increase than you have previously been successful putting through.

Paul Melnuk: Well let me answer the first one in terms of competitor response. We've seen a number of competitors follow our lead. Not all have done so yet. We expect that there will be. The magnitude of it was really based upon our assessment of the customer's ability to absorb price increases and that was how the price was determined. I think we would like to have increased more but we just did not think it was prudent to do so at this point.

John Lancefield: Okay, and the prior, the prior price increase previous to August 1st occurred when?

Paul Melnuk: It was August 1st of last year and it was in the range of 7% but last year's price increase was really playing catch up for the previous couple of years.

John Lancefield: In your industry is it typically you guys who are leading price increases and others follow along, or are there instances in recent history where the opposite has been the case?

Paul Melnuk: In some of our core product lines and in our gas equipment and in some of the arc accessories and some of those and some of the product categories within that we would be considered the price leader. Other product lines we're a follower, so it's specific to the product.

John Lancefield: Okay and finally sort of following on the prior caller's question, as far as gross margin trends for the balance of this year and going forward, was there anything exceptional as far as the mix that occurred in the second quarter and it ought to revert going forward, all else of course being equal, going back to Q1 type margins or is that now good go forward mix assumption and sort of base line for gross margin.

Paul Melnuk: There is some seasonality in terms of some of the international orders, just the time of year to the business but you know generally speaking we've had some pretty good in some of the international markets and those markets have been growing at stronger rates than the US market. I think the thing that I would say that it's important to understand that what we're focussed on is delivering gross profit dollars not gross margin percent. And to the extent that that business is incremental, you know, albeit it might bring down our gross margin percentage somewhat, we're generating improved operating earnings performance from it and that's what our objective is about.

John Lancefield: Great, thanks very much for taking my questions.

Operator: Your next question comes from Rob Lietzow of Lakeway Capital.

Rob Lietzow: Hey guys, how you doing?

Paul Melnuk: Good Rob, how are you?

Rob Lietzow: I'm doing just fine.

Paul Melnuk: Good.

Rob Lietzow: I am happy to see you guys are making a lot of headway and I think the questions on gross margin are kind of on your last point of issue. And I guess I'll take another crack at it, if everybody's trying I'll take a

different angle. One thing you just talked about was the seasonality and in looking at your, you know, numbers from last year, this was by far the lowest quarter in gross margin. And if you look kind of on a year over year basis you're running north of 200 basis points better in the first half than last year and I guess maybe a different question would be can we assume that that trend of 200 basis point improvement for the back half of the year is kind of where we should be looking is kind of this trending improvement in a year over year as opposed to looking at it quarter to quarter where you have the seasonality factor.

Paul Melnuk: I think that's fair.

Rob Lietzow: Okay, so yeah because I guess one of the other points I guess you guys have been pretty adamant about in your presentations is the mid-teen EBITDA margin, you know, in - now that we're in August of '07 relatively near future and if I look at this quarter and I apply you know low thirties instead of twenty nine and change you know, you're almost there. You know that adds quite a bit and would have been a much better profitability quarter than you afforded and I guess the price increase in the - in light of the current environment, I mean assuming you don't get more spiking in the raw materials, most of that should go to the bottom line.

Steve Schumm: Rob I think that's a fair analysis and let me offer a different spin on Paul's comments. We might have been able to and probably could have gotten that margin percentage and not sold the international sales and had noticeably less profit, because the facts are the volume of business, which is about 70% of our business in the United States, has slowed noticeably in the mid-west, as Paul mentioned. So I guess our perspective would be the things we mentioned last year of improvements in margin which are driven by a number of factors are showing forth in the business and from our perspective the other real positive is the energy of our international sales team in Europe and Asia Pacific in particular that has driven the kind of revenue growth that you see, maybe albeit at a slightly lower percentage. But we think that's a pretty exciting complementary aspect of this so you know, I guess its always a problem depending on which number you focus on one draws different conclusions.

Rob Lietzow: Yeah, no I totally agree on the growth aspect, you know. I'm definitely surprised at how quickly you've been able to get the international growing at a rapid pace. And I mean I guess I'm not so - on this kind of improvement continued improvement year on year in that 200 basis point neighbourhood that includes the fact that you're growing more internationally right, you're still anticipating that.

Paul Melnuk: Yes.

Rob Lietzow: Okay.

Paul Melnuk: Rob I think one other thing is Steve mentioned in his comments, our TCP added \$5 million in the second quarter and margins, were it not for inflation, would have been considerably higher.

Rob Lietzow: Right, no, that's - and so the price increase sort of helps get you get you there.

Paul Melnuk: Right.

Rob Lietzow: Yeah, no I hear you. You're definitely doing all the right things I can't complain there. Are you guys willing to set any goals at this point in terms of the working capital? I mean you've made some pretty big strides in this quarter in your turns. Are you kind of finding any shorter term guidance you can give on that?

Steve Schumm: Well Rob you know I think Paul has said in prior commentary that in the context of a statistic that we present, which is the working capital efficiency percentage of sales, which is the relationship inventory receivables less payables for sales, it got down to right at 30%. This year versus last year it was up around 33-34%. You know Paul said he feels we can get into the mid-twenties were we've been a little reticent to give you an exact timeline. If you look at the improvement in inventory turns this quarter it went - inventory turns went up to 3.6 from 3.1 at the end of last year and that was with building our welding equipment inventory rather noticeably so if you look at our inventory turn statistic and you compare it to best in class companies and we've got a little ways to go yet, so we're pretty optimistic that we can get considerable improvements towards Paul's goal. I think where we're going to continue to duck the question a little bit as to give you the date and the time.

Rob Lietzow: Okay no that's fine; I was just curious. I guess the one thing that I did notice that kind of the only real mover in that category was receivables.

Steve Schumm: Yeah receivables, you're right, it's a good point. Receivables jumped quite a bit. In one sense that's great news, right. It's not in inventory its in receivables so it's closer to cash so you know we're feeling pretty good about that. I'd say the spike and when you go through the mechanics of days sales outstanding computations you start to scratch your head a bit. I tell you the quality of our aging, of receivables collectability has never been better, at least in recent years. What you see is a little bit of phenomenon of a good part of the sales were export related late in the quarter, so you got a bit of a heavy skewing in that last two weeks as some real nice orders came in internationally we got them shipped but didn't get them collected yet.

Rob Lietzow: Right, okay, so it's just a timing thing.

Steve Schumm: Yes.

Rob Lietzow: And one last question; what's the status on the listing?

Steve Schumm: We have, as a think previously reported, filed that and as frequently happens we've been a little surprised at the diligence, thoroughness and extensiveness of the administrivia associated with it so we're still actively talking to the people at the NASDAQ but would anticipate that that is finished before all of you guys come back from the Hampton's.

Rob Lietzow: Okay I'm on the west coast so I'm not at the Hampton's.

Steve Schumm: Okay so when you come back from Hawaii I guess.

Rob Lietzow: Yeah exactly, how did you know? Anyway you know again congrats on everything you guys have done. I know it's been a lot of work and I definitely appreciate it.

Paul Melnuk: Okay and if it's all right with you we won't slow down on selling internationally.

Rob Lietzow: No. As long as you can get me a couple hundred basis points on the gross margin and I assume you're still taking a little SG&A out on the way, I think we'll be all good.

Paul Melnuk: We're going to keep doing it. Thanks Rob.

Rob Lietzow: Thanks.

Operator: At this time a reminder, if you would like to pose a question please press star then the number one on your telephone keypad. That's star and then the number one on your telephone keypad.

Your final question comes from Edward Koones of SP Capital.

Edward Koones: Hi, nice quarter. I don't have any final questions since they've all been pretty much asked and people beat the gross margin issue to death I think. I think I was on the Lincoln call; they mentioned they raised prices. I don't know if they were on comparable product lines to yours. I thought their price increase went in sometime around May, but they said there might be a thirty day lag.

Paul Melnuk: I didn't listen to their call but I think in the marketplace I understand they took price on filler metals and welding equipment primarily and you know that's all that we've seen in the marketplace.

Edward Koones: Okay, alright, well nice job.

Paul Melnuk: Okay, thanks Ed.

Edward Koones: Take care.

Paul Melnuk: We'd like to thank everyone for their time and interest in the company. We'll continue to look forward to reporting improved progress in the quarters to come. Thanks.

Operator: This concludes today's Thermadyne Holdings Corporation Conference Call. You may now disconnect.