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PRESENTATION

Operator

Thank you for standing by, and welcome to AM Castle & Co.'s fourth quarter and year-end 2010 earnings conference call. At this time all participants are in a listen-only mode. Following today's presentation, instructions will be given for the question-and-answer session. (Operator Instructions). As a reminder this conference is being recorded today, Tuesday, March 8, 2011. I would now like to turn the conference over to Usman Ahmed with FD. Please go ahead.

Usman Ahmed - *FD Ashton Partners - IR*

Thanks. Good morning. Thank you, everyone, for joining us for AM Castle's 2010 fourth quarter and year-end conference call. By now you should have all received a copy of this morning's press release, but if anyone still needs one, please call my office at 312-553-6731 and we will send you a copy immediately following the call. With us from the 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 the SEC rules. You'll find the reconciliation in the financial information attached to today's release, which is also available on the Company's website at www.amcastle.com under the Investors tab and in the Form 8-K submitted to the SEC. And now, I'd like to turn the call over to Mike Goldberg. Go ahead, Mike.

Michael Goldberg - *A M Castle & Co - President*

Thanks, Usman. Good morning, everyone, and thank you for joining us on today's call. We will highlight today our fourth quarter and full-year 2010 results, along with some key business developments, and then we will share our perspective on the current business environment and provide more details on the financial results. As reported this morning, fourth quarter consolidated net sales were $235.6 million, a 30% increase compared to last year's $181.3 million. The Company reported a fourth quarter net loss of $1.5 million, or $0.07 per diluted share. The fourth quarter results include a $2.4 million pre-tax, or a $1.5 million after-tax charge, for facility consolidation costs. Excluding the impact of these facility consolidation costs, we achieved a breakeven net earnings results for the fourth quarter on a non-GAAP basis. Traditionally, our business experiences a sequential, seasonal volume decline in the fourth quarter, normally due to less shipping days, typically in the range of 3% to 6%. However, in 2010, we did not experience a drop-off in Q4 volumes compared to Q3, as strong shipments in October and November offset the normal seasonal slowdown.

Now, a quick recap of our full year results. Our 2010 consolidated net sales were $943.7 million, or 16% higher than last year's $812.6 million. Metal segment sales, which accounted for 89% of total reported revenues, grossed approximately 16% to $841.1 million. Average tons sold per day increased 15% from 2009 levels. Net sales for our Plastics segment were $102.6 million, an increase of approximately 19% over the $86.4 million recorded in 2009. EBITDA was $16.9 million in 2010, compared to an EBITDA loss of $15.4 million in the prior year. On a net earnings basis, we ended the year with a loss of $5.6 million, or $0.25 per diluted share, excluding the impact of the after-tax $1.5 million of facility consolidation charges, the net loss of $0.18 for the year on a non-GAAP basis. This compares to net loss of $26.9 million, or $1.18 per diluted share, in 2009.

We've often talked about the late cycle nature of our business and how we historically lagged the general economic cycle by about 12 to 18 months. Looking back, it now appears that our trough ran from the second quarter 2009 through the end of the first quarter of 2010. In the final nine months of 2010, excluding the one-time charge, the Company was profitable on a non-GAAP basis. Overall, 2010 reflected a more muted recovery for Castle than is typical in the year following a deep recession. In the first four months of 2010, we experienced sequential increases in volume, followed by immediate pause, and then another pick-up in business in the last four months of the year. This unusual pattern was likely caused by a lack of inventory in the supply chain earlier in the year.

From a product perspective, our best performing product categories in 2010 were alloyed bar, carbon and SBQ bars and tubing products. Pricing across the majority of our markets strengthened throughout the year, albeit with the usual volatility as a result of commodity swings. As we all know, the heat-treated aluminum plate aerospace market was soft last year. Later I will talk more about our outlook for 2011. Now, I would just like to mention a few key business developments in 2010.

In 2010, we continued executing on our strategic global expansion initiatives. A new facility in Edmonton, Alberta, became fully operational in the first quarter. We opened up a new facility in Lafayette, Louisiana, and we expanded our sales organization in Southeast Asia to help capture market share in that region's oil and gas business. We also supplemented and updated our processing equipment in the UK to expand capacity and boost efficiency, and we added processing capabilities and inventories at our Shanghai facility to support our oil and gas initiatives in that region.

Inventory continued to be a key focus in 2010, and with lots of hard work, we exceeded our inventory reduction goals by a significant margin, achieving a further $40 million reduction in 2010, as well as achieving a significant improvement in turnover. Our overall DSI averaged 143 days in 2010 compared with 189 days in 2009. The one area where we have continuing inventory overhang is in the aerospace heat-treated aluminum plate. Throughout 2010, lead times remain short, capacity continued to exceed demand and we expect this imbalance to begin moderating in 2011 based on an improving outlook for commercial aerospace build rates. There is broad-based optimism about the aerospace market in the sense that the heat-treated aluminum plate will be a more healthy market in 2012 and beyond.

In the second quarter of 2010 we launched a broad-based new initiative to deliver a best in class customer experience. We established five broad action areas to align our people, products, services and systems towards this goal. Already we've achieved widespread service-level improvements with significant gains in on-time delivery, customer responsiveness, inventory management and cost efficiency.

In the fourth quarter 2010, we completed three successful facility consolidations in our Metals segment. We relocated our Arlington, Texas, facility into our Dallas location, moved our Tri-State operations, which were near Cincinnati, Ohio, into our other Ohio locations, Cleveland and Twinsburg, and we consolidated facilities in the United Kingdom. We reduced our operations footprint by more than 200,000 square feet, and expect to save approximately $2 million of operating expense per annum. These facility consolidations resulted in a $2.4 million pre-tax charge in the fourth quarter of 2010, approximately half of which is early recognition of ongoing lease costs.

Another 2010 accomplishment is the strengthening of the executive team. Nick Jones joins us as the new President of Oil and Gas business, and Brian Austin was appointed as our new Aerospace Managing Director in Europe.Most recently, Kevin Glynn, joined our Company as Vice President and chief Information Officer. Kevin brings more than 20 years of experience, including 11 years with Oracle Corporation where he held a number of positions in applications and consulting services in the US and abroad. These new executives are already demonstrating strong leadership and business skills and bringing fresher perspective to our organization, especially as it relates to international growth.

In other business developments, we once again improved significantly our total -- our safety record, achieving a significant 54% reduction in lost time accidents and, over a four-year period, a reduction of over 70% in lost time accidents. I'd like to commend all our employees for their ongoing efforts to make Castle a safer place to work and we are pushing for further improvements in safety this year.

Now I'll talk a little bit about the market environment in general with some comments about our key end-markets. In the Metals segment, most of our end-use markets showed increased business activity in 2010. The general industrial markets led the recovery, followed by heavy industrial equipment and mining equipment, and after a flat first half following a gas surge in the second half, while aerospace experienced a recovery, more noticeable in the hot-end markets such as engines and landing gear, rather than the oversupplied air framing sector. Supply and lead times extended on carbon, alloy, nickel and stainless products in all forms starting in mid-2010, and continued through the end of the year and into 2011.

Now some end-market-specific comments, starting with oil and gas, which recorded the healthiest gains in year-over-year growth for 2010. Historically, our business is closely correlated to rig count, and global rig counts have recovered to 2008 peak levels and the activity around shale gas in North America, as well as recovery in global oil prices, has resulted in significant demand increase from our major oil field service customers and their subcontractor networks.

The general industrial markets recovered, gaining momentum as the year went on, and have started 2011 at an even higher rate. Generally, customer inventories were low at the beginning of the year, and demand increased throughout the year. As the year closed, lead times were extending in many in carbon and alloy bar products, prices were increasing as surcharges were escalating as commodity prices increased. This trend has continued in 2011, with lead times out as far as six months in certain alloy products. We increased our purchases significantly in the last part of the year and continue to do so in 2011.

We are seeing continuing improvement in heavy industrial equipment and mining equipment end-markets, and these industries should benefit substantially from the need -- from increased infrastructure investment, particularly in the emerging markets, and our long-term relationships with leading global OEMs position us well for continued growth. Current business levels in our core end-markets are the highest they've been since 2008. The defense market for us also continues to relatively strong, especially for our programs with the Navy and we continue to see increased demand for the semiconductor and the solar markets.

Now a few words about aerospace. Approximately half of our aerospace business is commercial, and about one-quarter military. Business jets now represent about 10% of the total, whereas a few years ago it was about 15%. In the commercial aerospace sector, airlines are seeing a pick-up in demand and higher-load levels, creating a more positive environment for a fleet upgrade.

With passenger and cargo traffic now surpassing pre-recession levels of early 2008, manufacturers have announced several aircraft production rate increases over the past few months.

The International Air Transport Association's forecast calls for a long -- for a return to a long-term compound growth rate of between 4.5% and 5% in air-traffic, driven by an increase in passenger demand, more fuel-efficient aircraft and overall growth in end-markets, particularly those that are underserved. The increase in production of wide-bodied planes will have a positive impact on plate consumption. Although we have not yet seen that impact on activity levels, we believe that our presence across a broad range of platforms will serve us well as the recovery continues.

The military sector remains relatively strong, although the US Department of Defense spending is declining, 2011 budget of $549 billion still provides substantial growth opportunities. 2010, we won a contract extension with Lockheed Martin for the F-35 Joint Strike Fighter program for the supply of aluminum plate, cut-to-size aluminum plate, value-added processing and collaborative supply chain management services. Based on the JSF program's current production special, the total potential value of the contract extension is now estimated to be between $200 million and $230 million over the next six years, less than the $300 million originally anticipated.

Overall demand continued to improve in our plastic markets in 2010, with particular strength in office furniture, automotive and like science markets. Our plastics business continued to grow despite continued softness in the Marine market, which eventually started to show some modest signs of improvement in the second half of the year. Overall, our customer inventories remain at low levels. During 2010, our plastic business averaged 70 days inventory or about five times turn.

Switching to looking at 2011, I'll mention a few of our business priorities. First is our customer experience initiative. We will maintain our focus on process enhancements that we believe will lead to further improvements in on-time delivery, customer responsiveness, speed-to-market and quality. Secondly, we will roll out our Oracle ERP systems to the balance of the international locations. At the end of January of this year, we successfully implanted our Oracle in Mexico and plans are underway for the final few locations it Europe and Asia to go live later this year. We also will continue to work on performance improvements throughout the ERP system that will enhance user efficiency in order to better serve our customers.

Another priority for us this year is the continuing expansion of our global footprint and capabilities. We plan to increase the size of our facility in Monterrey, Mexico, to support business growth there. We will also be looking to strengthen our aerospace business presence in Europe and our oil and gas capabilities in Southeast Asia. And, we will continue to seek acquisition opportunities and support further global expansion. As always sales growth, inventory management and gross margin improvement are ongoing priorities of particular importance. We expect the economic recovery to continue at a modest pace, prices are rising along with a pick-up in demand and restricted availability in certain alloy and carbon bar products and tubing. Scrap surcharges have spiked, but we expect them to level off this spring. We are passing price increases onto the market whenever possible to keep ahead of the curve.

Our current expectation is for our revenue growth rate in 2011 to be similar to what we experienced in 2010. We will be driving to achieve our historical pre-recession DSI levels of about 120 days, and assuming normal inventory levels and improving market conditions, we expect gross margins to improve from 2010 levels. Scott will talk more about our financial outlook, and at this time, I'll turn things over to him and he will give you a more detailed review of the numbers.

Scott Stephens - *A M Castle & Co - VP of Finance*

Thank you, Mike. Good morning, everyone. First I'll recap our Q4 results and then briefly recap the full-year 2010, followed by highlights on our balance sheet and working capital performance. Consolidated fourth quarter net sales were $235.6 million, which was an increase of 30%, or $54.3 million, compared to Q4 2009 sales of $181.3 million.

In our Metals segment we reported net sales of $210 million in the quarter, which was $50.7 million higher than the same period in 2009, a 32% increase. Overall, average tons sold per day were up 28%, versus the fourth quarter of 2009. And while we typically experience a 3% to 6% sequential volume decline from Q3 to Q4, fourth quarter 2010 tons sold per day were flat compared to third quarter 2010 levels. This year's Q4 volume activity increase was led by commodity products, primarily alloy bar, cold-finished carbon bar and SBQ bar. Carbon alloy plate also experienced strong year-over-year growth in the fourth quarter this year. Aluminum products were flat versus the prior year quarter, and down 15% sequentially compared to Q3 of this year.

On the Plastics side, fourth quarter 2010 net sales of $25.6 million were 16% higher than the fourth quarter 2009. Sequentially, Plastics sales for Q4 were down $1.3 million, or 5% from third quarter levels. Our consolidated gross profit margin rate for the fourth quarter 2010, was 27.3%, compared to 19.2% in the prior-year period. Fourth quarter 2010 results include a $700,000 charge to true-up the LIFO reserve. Last year's 19.2% gross profit margin included a LIFO charge of $8.7 million. I'll talk more about our 2010 gross profit margin trends later.

Fourth quarter consolidated operating expenses were $66.7 million, an increase of $9.2 million, or 16% over last year. Approximately $6 million of the $9.2 million year-over-year expense increase was related to higher sales activity, whereby Q4 2010 tons sold per day were up 28% from the prior-year quarter. In addition, the fourth quarter operating expenses included $2.4 million in costs associated with facility consolidation charges. During the quarter, we relocated three facilities, two domestically and one in the UK. We had multiple facilities in three markets and were able to combine one facility within each geographic market, improving our operating efficiencies and customer service.

The $2.4 million in Q4 consolidation costs included $1.2 million of non-cash lease extrication charges. The balance of the cost primarily related to moving expenses for inventory and equipment. Beginning in the first quarter this year, we expect the facility consolidations to produce annual cost savings of approximately $2 million. The consolidated operating loss for the quarter was $2.4 million versus the prior year loss of $22.6 million.

Joint venture equity income was $1.6 million for the quarter, compared to in the $0.03 million in the fourth quarter of 2009. Interest expense was $1.1 million in the fourth quarter 2010, compared to $1.6 million in the prior-year period. And for the fourth quarter, the Company reported a net loss of $1.5 million, or $0.07 per diluted share. In the prior quarter, the Company reported a net loss of $15.5 million, or $0.68 per diluted share.

Now a brief recap of 2010, where consolidated net sales for the fiscal year 2010 for $943.7 million, or 16% higher than the $812.6 million recorded in 2010. Net sales in the Metals segment for 2010 were $841.1 million, which is $114.9 million, or 16% higher than last year. Tons sold per day increased 15% versus the full-year 2009. And consistent with our fourth quarter activity, products with the highest year-over-year volume gains were alloy bar, cold-finished carbon bar, SBQ bar and tubing. Net sales in our Plastics segment were $102.6 million for the full-year period, an increase of $16.2 million, or 19%, over last year. Demand in the key end-markets for Plastics stabilized early in 2009 and improved steadily throughout the year 2010. Our consolidated gross margin rate for the full year was 25.7% of sales compared to 24.8% in 2009.

As we mentioned a year ago, we anticipated that gross profit margin levels would improve throughout 2010 as the demand environment improved and our inventory levels normalized.As it turned out, our quarterly gross profit margin levels did improve steadily throughout last year. Reported gross profit margins for 2010 were 24.2% in Q1, 25.7% in quarters two and three, and 27.3% in Q4. In addition, our inventory levels, measured on a 90-day DSI basis, improved from 183 days at the end of 2009 to 137 days at the end of 2010. Historically, our gross profit margins have ranged from 25% at the bottom of the cycle to 29% at the peak. We would expect our gross profit margin levels to continue to improve in 2011 from the 25.7% recorded in 2010, moving closer toward the midpoint of our historical 25% to 29% range as the recovery continues into 2011. For the full year we recorded LIFO expense of $7.7 million, including a $0.7 million charge in the fourth quarter, which compares to $17 million of estimated LIFO income for the full year 2009, and an $8.7 million LIFO charge in the fourth quarter last year. The ongoing commodity price volatility in many of our products makes it even more difficult than normal to forecast how LIFO will ultimately impact our 2011 results, but as I mentioned earlier, we expect our reported LIFO gross profit margins for 2011 to improve from the 25.7% market achieved in 2010 and to move closer to the midpoint of our 25% to 29% historical range.

Consolidated operating expenses were $252.2 million in 2010, compared with $238.4 million in 2009, a 6% increase. The increase primarily resulted from higher shipping volumes as average tons sold per day were 15% higher than the prior year. Other factors contributing to the increase included 401(k) benefit reinstatements, normal merit salary increases, and the $2.4 million of facility relocation charges that we discussed earlier. Overall, we experienced an incremental sales -- an incremental expense-to-sales-growth ratio of approximately 10% in 2010 compared to 2009. We would expect a similar ratio to occur in 2011.

Consolidated operating loss as reported for the full year 2010 was $9.3 million versus prior-year reported loss of $37.1 million. Joint venture equity income was $5.6 million for the full year versus $0.4 million in 2009. Interest expense for the full year was $5 million, which is $1.4 million lower than 2009 as a result of reduced borrowings. Our net loss for 2010 was $5.6 million, or $0.25 per diluted share, compared to a prior year loss of $26.9 million, or $1.18 per diluted share.

Now onto the balance sheet and working capital. During the fourth quarter, the Company's continued focus on working capital management resulted in inventory reduction of approximately $30.9 million and an $18.4 million debt reduction for the quarter. That corresponds to a $40 million inventory reduction for the year, and $20 million debt reduction for 2010. Day sales in inventory ended the year at 143-day average, compared to last year's average of 189 days. And day sales outstanding was approximately 50 days for 2010, versus 55 days in 2009.

As of December 31, 2010, our debt-to-capital ratio was 18.1% compared to 21.9% at the close of 2009. Total debt at year-end 2010 was $69.1 million, compared to $89.2 million at the end of 2009. Net debt defined by the Company as total debt plus cash and cash equivalents, at the end of 2010 was $32.4 million, compared to $60.9 million at the end of 2009. The $69.1 million of total debt outstanding at year-end includes $61.1 million that is long-term and $8 million short-term. Approximately $43 million of total debt outstanding at year-end relates to insurance notes maturing through 2015, and the balance relates to short-term revolver debt. Our revolver facility expires in January 2013, we have additional financial flexibility through this $230 million credit facility, including over $100 million of available borrowings at December 31, 2010. The Company was in compliance with all of its debt covenants as of December 31, 2010. Our bad debt expense was $800,000 in 2010, compared to $2.5 million in 2009.

In 2010, the business generated $34.4 million in cash from operations. Capital expenditures for 2010 were $7.6 million, compared to $8.7 million in 2009. The expenditures last year included approximately $2.6 million of ERP and other information technology enhancements, with the balance of the expenditures related to normal equipment upgrades throughout the year. Our approved capital budget for 2011 is approximately $14 million, higher than the $10 million normal rate discussed previously due to several growth opportunities that we have planned for completion in 2011.

Merger and acquisition activity started picking up in our sector in the middle of last year. Now that the late-cycle markets are delivering better results, we expect the M&A market to continue to build momentum. We've already seen an active start to 2011, including Klockner's announcement of its intent of acquiring Macsteel and then several other announcements in just the past 10 days. We continue to look for opportunities that offer complementary products and services for our targeted markets on a global basis. And now we'll open up the call for your questions.

QUESTIONS AND ANSWERS

Operator

Thank you Sir. Ladies and gentlemen we will begin the question-and-answer session at this time. (Operator Instructions). Our first question comes from line of Edward Marshall with Sidoti and company. Please go ahead.

Edward Marshall - *Sidoti & Company - Analyst*

Hey guys.

Scott Stephens - *A M Castle & Co - VP of Finance*

Morning.

Edward Marshall - *Sidoti & Company - Analyst*

The aluminum plate market, you gave some pretty good color in your commentary. I'm wondering if we can elaborate on that a little bit further, talk about maybe what you need to see in that market to improve as we pull out into 2012. I'm kind of hearing some inventory in the channel, which we've known about for some time, and also some shift in buying patterns at the OEM levels, productions rates continued increase on the aerospace side?

Michael Goldberg - *A M Castle & Co - President*

Yes. I think that when you have a market which has been over supplied for as long as it has, essentially you -- I'm stating the obvious, you need that demand to pick up, and that's going to be the key. And there are two components to that demand picking up. One is the increase in total build rates around the world, and maybe even more importantly in terms of plate, the increase in the mix of planes toward wide-body. The consumption of plate on wide-bodies is significantly more than on the narrow body.

So I think one of the reasons why we -- why the industry and the market got into the state that it was, was that the capacity that was brought on, what, four, five years ago, was in anticipation of the increased demand for aluminum plate, especially as it related to the wide-bodies programs. And as they've got delayed, that's just added to the state of the market. As those planes now start to ramp-up in their production, that should be a major catalyst to correct the market. And so, we should see conditions continue to improve and, as those planes get built, we should see the market correcting itself and getting more into balance.

Edward Marshall - *Sidoti & Company - Analyst*

So because of the inventory in the channel, and the fact that it would need to be bled out, will you actually -- will a distributor like yourself actually lead the recovery in that market before the mills? Because historically I think the mills lead your volume recovery. How should I be thinking about that?

Michael Goldberg - *A M Castle & Co - President*

I think there is a couple of elements to that. One is it depends how much the mill is going to go direct and how much they'll go through distribution, but I think they are going to be somewhat hand-in-hand because our buying patterns from the mills, we would anticipate to increase, so to that extent, we would lead them, but they have got direct business, as well. So I think -- I'm not sure that we would lead that, but I certainly think we would be pretty close to working -- experiencing that together, to the market will -- once that market moves away it from a chronic oversupply situation. Like everything in this business, the movements have become much larger and quicker than you ever anticipate. Now the combination of increasing demand and reduced supply can impact the market much quicker than you would ever think that it could.

Edward Marshall - *Sidoti & Company - Analyst*

Okay. So, we're halfway -- almost halfway, into March and maybe I'm being a little aggressive there, but what have been the trends so far through the first quarter? Have you kept up the momentum that you had in the fourth or how you see it building or can you talk to that?

Michael Goldberg - *A M Castle & Co - President*

Yes, obviously we are, as you said, we're not quite halfway through March, but we're a good chunk of our way through the first quarter and it won't be too long before we are reporting our first quarter results. But in general the momentum has continued, yes. We've seen continued improvement in the markets and it's pretty -- some of the pricing increases that we've, that's been announced, the lead times extending really are all evidence that support an increasing, positive momentum in pretty much all the markets are cross the whole spectrum.

Edward Marshall - *Sidoti & Company - Analyst*

And then finally, strategically, about dispersing cash as your balance sheet starts -- begins to improve, and I understand you have some CapEx requirements that are historically higher than normal, we also talk about the M&A activity. But restoration of maybe the dividend that was cut as we headed into the global recession here, what are the thoughts maybe from the Board, if you could speak for them, as to reinstating that dividend or returning cash to shareholders in some respect?

Michael Goldberg - *A M Castle & Co - President*

Yes. We will take a very serious look at the dividend, I assume at the next Board meeting or two. So, yes, that will be under very careful consideration.

Edward Marshall - *Sidoti & Company - Analyst*

Okay. Thank you, guys, very much.

Operator

Your next question comes from the line of Tim Hayes with Davenport & Co. Please go ahead.

Tim Hayes - *Davenport & Company - Analyst*

Hi, good morning.

Michael Goldberg - *A M Castle & Co - President*

Morning, Tim.

Tim Hayes - *Davenport & Company - Analyst*

A couple questions on those charge, the $2.4 million of expenses, where did that break out? Did that go into plant -- did that all go into plant and delivery expense or did some of that go into SG&A expense?

Scott Stephens - *A M Castle & Co - VP of Finance*

No, it's in the warehouse processing and delivery expense line, Tim.

Tim Hayes - *Davenport & Company - Analyst*

Okay. And then the gross margin in Q4 certainly was very strong, even if I normalize out our average the LIFO impacts from Q3 to Q4, was there anything additional in Q4 that helped margins? Perhaps was it a mix --better mix versus Q3? Any more color there, because that was a pretty strong gross margin figure for the quarter.

Scott Stephens - *A M Castle & Co - VP of Finance*

It was. I would say yes, directionally there were some tailwind adjustments to the quarter. You mentioned it, really it's LIFO, is part of it, it's not perfect science on the quarterly recognition, but -- so some smoothing of that out may make sense when you look at -- when you try to look at a trend, so that makes sense. And given the seasonal -- or the lower sales in Q4 compared to Q3, there was a modest impact from year-end adjustments on margins, as well, and it was slightly positive. So, therefore, we gave you the extra color on where we thought we should focus on, which is really the 2010 annual result or annual margin number.

Tim Hayes - *Davenport & Company - Analyst*

All right. Good. And on the 2011 guidance for sales growth in 2011 to be similar to the growth in 2010, I think that is the same language you used last quarter, and then when you did that you figured that most of the sales growth in 2011 would come from volume. Is that still the case or was there a recent increase in metal prices that we've seen that is more the guidance for 2011 now a component of price rather than volume?

Michael Goldberg - *A M Castle & Co - President*

You've got a good memory. I think we haven't changed our minds around volume. Actually I think our thoughts were that it was going to be split roughly half-and-half between volume and price. If there is some potential upside to those numbers, I would think -- who knows what happens with pricing, it goes up, it goes down. If pricing remains as strong as it currently is indicative of the first 10 weeks of the year, I think there's some revenue upside on pricing. But we've seen this before, pricing, things get excitable, pricing goes up and then things flatten off and pricing goes down. So I think it's too early to tell. I think there's some potential upside if the market remains firm and strong to our number, but I'm not going to call that one at the beginning of March. Wait another three or four months and see how good I feel.

Tim Hayes - *Davenport & Company - Analyst*

Yes, understandable. And then last question, on the aluminum plate market, have you increased your buying of heat-treated aluminum plate over the last couple quarters or is that just still about the same about that you been buying for, I don't know, the past year or so for that product?

Michael Goldberg - *A M Castle & Co - President*

No. We haven't increased our position, haven't increased our purchases on aluminium plate.It's about the one product that we have not increased our purchasing on. So our lead times are still pretty short, there's plenty in the supply chain, we've still got plenty as well. Lead times on aluminum plate are up eight to 12 weeks and it's a routine, regular process that we are going through. So when those lead times are going out and we start buying more, that's going to be a really -- I'm really looking forward to the day. That will be a good time.

Tim Hayes - *Davenport & Company - Analyst*

All right.

Michael Goldberg - *A M Castle & Co - President*

But were not there yet.

Tim Hayes - *Davenport & Company - Analyst*

Okay. Those are my questions. Thank you.

Michael Goldberg - *A M Castle & Co - President*

Thanks.

Scott Stephens - *A M Castle & Co - VP of Finance*

Thanks, Tim.

Operator

(Operator Instructions). Our next question comes from the line of Phil Gibbs with KeyBanc Capital Markets. Please go ahead.

Phil Gibbs - *Keybanc Capital Markets - Analyst*

Hey, Mike, Scott. How are you?

Scott Stephens - *A M Castle & Co - VP of Finance*

Good morning. Morning.

Phil Gibbs - *Keybanc Capital Markets - Analyst*

Good morning. Congratulations has to feel good that the end-markets are finally behind you. Regarding Oracle, can you discuss your progress in North America, particularly in your aerospace business over the last year or two?

Michael Goldberg - *A M Castle & Co - President*

Yes, as we've talked about before, Oracle was implemented across nearly all of our business in North America, and over the last six, nine months, our efforts have been around increasing -- improving the efficiency and speed of the system, and that's a pretty typical step to go through after an implementation. The improvements on inventory and margins I think are to some degree as a result of the new systems we've got in place. We're very happy with the information that we are getting, it's making a major difference to our business. So we are very happy forging ahead and implementing it into Europe. As I said in our prepared remarks, we went live in Mexico first of February and they did a great job, we've got a great team down there. And now we're forging ahead to implement in Europe, both in our aerospace business and on our aerospace business. The continuing to work to improve speed and responsiveness remains a major project for us. As I said earlier, we've got a new CIO who's worked for considerable periods of time with Oracle and we're very happy with his knowledge and input to take us through the next step here.

Phil Gibbs - *Keybanc Capital Markets - Analyst*

Okay. Great. And your past commentary around the carbon plate markets has been pretty subdued as far as not seeing a real pick-up in that business. We did we really start to see a turn there?

Michael Goldberg - *A M Castle & Co - President*

I'm trying to think, going back certainly I think the first quarter was strong, so I think the easy answer to that to say is the fourth quarter from last year, and again, I was saying, we're seeing that market strengthening, as well. Lead times are going out on carbon alloy and stainless, some sort of allocation of controlled-order entries. So that market has picked up over the last, I would say, where are we now, March, five or six months.

Phil Gibbs - *Keybanc Capital Markets - Analyst*

Okay. Perfect. And, Scott, I'm sorry if I missed it, but did you outlined a CapEx number for 2011?

Scott Stephens - *A M Castle & Co - VP of Finance*

We did. We've approved $14 million as our capital budget for 2011, which is more than the $10 million that we talked about before as kind of a normalized level due to some -- had got some growth opportunity projects that we've now planned for 2011, which is taking up about that $10 million number.

Phil Gibbs - *Keybanc Capital Markets - Analyst*

Okay. And is most of that going to be related to those international opportunities that you'd been speaking about in Asia, for instance, on the oil and gas side?

Scott Stephens - *A M Castle & Co - VP of Finance*

It is.Asia, Europe, Mexico, yes.

Phil Gibbs - *Keybanc Capital Markets - Analyst*

Okay, and is there any -- how much is baked in there for Oracle or is some of that being expensed?

Scott Stephens - *A M Castle & Co - VP of Finance*

In the CapEx it's a pretty modest amount. The implementations that Mike talked about that we are doing this year are not highly capital-intensive. It's less than $1 million for 2011 is the ERP implementation part.

Phil Gibbs - *Keybanc Capital Markets - Analyst*

Okay. Thanks guys. Congratulations on the progress

Scott Stephens - *A M Castle & Co - VP of Finance*

Thanks, Phil.

Michael Goldberg - *A M Castle & Co - President*

Thanks.

Operator

And I show no further questions in queue at this time. Management, please continue.

Michael Goldberg - *A M Castle & Co - President*

Well again, as always, thanks for your attention. We will be speaking to you in about, what, six or seven weeks' time with the first quarter numbers. As I think we've -- the picture that we've painted here is we are certainly more optimistic about the market conditions and look forward to speaking to you in the -- after the first quarter. So thanks for your time today.

Operator

And, ladies and gentleman, that concludes our call for today. If you'd like to listen to a replay of today's conference please dial 1-800-406-7325 and enter the access code of 4415365.Thank you very much for your participation and you may now disconnect.
