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Symmetry Medical Inc. Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) And our first question will come from the line of Ben Andrew with William Blair. Please proceed.

Ben Andrew – William Blair

Good morning, Brian, and just wanted to ask a couple of questions about the booking activities. You mentioned that you're seeing good activity out into 2009. Is this a typical pattern when you're in a kind of more bullish cycle to see activity out six to 12 months or is this unusual?

Brian Moore

It's fairly typical, what tends to happen, Ben, is that as the activity levels increase, capacity gets filled, so customers give you more visibility because that effectively reserving downstream capacity to ensure they get their products. So it's fairly typical. And the other thing that's fairly typical when you're on a rising market is that every time we do a forecast, you tend to increase it. And when we're in a fairly strong run earlier on about four years ago, we did that for several months, one after the other, and that's been the characteristic for the last several months as well.

Ben Andrew – William Blair

And maybe a quick question for Fred on the gross margin. The 27 seems conservative, given that the core business was north of 30%. I know Sheffield is certainly having an impact. Do you think Sheffield gets back to even half that 30% by the end of the year or are we looking at a longer process and that's why the guidance at that level?

Brian Moore

Very pleased obviously with the 30.8% we saw in the second quarter, increased volume with the volume leverage helps us plus some increased efficiencies that we saw across the US site. The Sheffield situation there probably won't – I wouldn't think would be back to that 15% by year-end, so if you have them at slightly profitable in the fourth quarter, with the business that same 30.8 type of a number, that gets us to that 27 type of a range for the end of the year, and as Brian mentioned, we've got aggressive actions that are being implemented as we speak and have been implemented in the last four weeks since we talked last time. But really, the efficiencies that are going to get us from that breakeven back to a reasonable profitability level is going to come from efficiencies from an ERP system that we're putting in place in the second half of this year and we're really not going to see the

benefits of that until out into 2009. So it get profitable here by the end of this year and then get it back to a reasonable profitability level in 2009.

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