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FEI Company Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you, sir. We will now begin the question and answer session. (Operator instructions) Our first question comes from the line of JoAnne Feeney with FTN. Please go ahead.

JoAnne Feeney – FTN Midwest Research

Thanks. Congratulations on a nice quarter, guys. I have a few questions about the rest of the year really. You had said earlier that you expected the third quarter revenue to look similar to the second quarter, and so I am wondering if you are putting back any of the usual seasonal decline, if some of the additional revenue you saw in the second quarter was pulled in, in your view from the third quarter, or has something changed about your outlook on the third quarter since we last spoke?

Don Kania

I think, JoAnne, what you are seeing are minor shifts in customer expectations on delivery. So, I wouldn't read anything too fundamental into where we are at, and I think our guidance for revenues Q3 are pretty much in line as you say with the seasonality. So, I don't think there is not a hidden message here.

JoAnne Feeney – FTN Midwest Research

And so you are tracking a number of these large orders you talked to us about before. Given that, would you sort of characterize the third quarter of this year as having a bit more of – bit more uncertainty than is typical?

Don Kania

You are referring to orders or revenue?

JoAnne Feeney – FTN Midwest Research

Sorry, I was thinking of revenue, but if you feel like addressing both, that might be –

Don Kania

I think we are comfortable with the revenue forecast that we've given for the third quarter and thus stated we will stand by those numbers. On the booking side, I think we'll stand by our mantra of

we are tracking a number of large orders and they will close at some point. We closed a few in the second quarter and we are expecting that process to continue through the end of the year.

JoAnne Feeney – FTN Midwest Research

Okay. And then if I could, just a question on the gross margins. So Ray, you've probably done this exercise a few different ways, but if you could imagine the reorganization of the supply chain magically being done and all that stuff out of inventory, what would be – could you isolate for us the impact on gross margin just of the euro effect and when we might see it released once you are done with all that?

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