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Ducommun Inc. Second Quarter 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions)

Our first question comes from the line of Troy Lahr from Stifel Nicolaus. You may proceed.

Troy Lahr - Stifel Nicolaus

Thanks. I wonder if you could kind of walk through what's being going on at the technologies business you had, sales were down again. Margins slowly starting to recover but can you just kind of walk through what you are seeing at that business and should we start seeing some revenue growth out of technology I assume?

Joseph Berenato

When you look at our technologies business it really falls into three buckets. We've got design engineered product and lighted product and microwave. We've got build the print segment where we do integrated electronic assemblies and we have our Miltec business where we do engineering services for the government. And our sense is that on the design engineered product which has got a substantial price of after-market in it. The growth there is slow because the military budget isn't growing but there is a significant after market, so it's have a high level for them, but not a lot of growth for them in terms of the military budget growing.

On the integrated assembly side, we think we will see a growth going forward in that piece of the business, again it's mostly military but they do have some commercial applications and I expect over the next year we will see some growth. In Miltec we've seen some good growth over the two years that we've owned it but as you know with respect to the military budget there has been some shifting of funds around. We still view that as a growth business and I think we'll see a pickup in growth over the next year there.

So, generally speaking I think we'll see growth out of the technology side. But it is predominantly military, and military is growing at a slower rate than commercial both in our company and also in terms of the larger market. So, I'd expect to see the AeroStructure side of the business grow faster than the technology side.

Troy Lahr - Stifel Nicolaus

Okay. And then just Apache backlog, I think it was down pretty significantly quarter-over- quarter, such as lumpiness, and you expect some orders to come through to get that back up or?

Joseph Berenato

Yes. It's true with any of our major programs, where it's a Apache C-17 or in the commercial side 737. What typically happens is, we get a significant order and then you just constantly working that down, and you get toward the end of that order and then you sign the renewal and then the backlog jumps up. So, the backlog there for Apache C-17 and 737 are all that functions up, as a gradual slight down until the next step function up and we would expect that there will be a step function up for Apache sometime this year.

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