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Ceradyne Inc. Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). And your first question will go through the line of Pierre Maccagno.

Pierre Maccagno - Needham & Company & Company

Good morning Joel, Jerry, David and Mike. Congratulations on the quarter. You came out above consensus.

Joel Moskowitz

Thank you, Pierre.

Pierre Maccagno - Needham & Company

So, I wanted to do ask you about the XSAPI. Now what type of run rate are you expecting at this point starting in the fourth quarter? And also do you expect this to ramp up from the fourth quarter into 2009?

Joel Moskowitz

I'll let Dave who is on top of all these aspects take that question.

David Reed

Good morning, Pierre.

Pierre Maccagno - Needham & Company

Good morning.

David Reed

We don't really know what the rate will be. The government has been a little slower than we thought in getting the award out. We are still hopeful that they will make awards in the August time period. We put in our plan, the numbers that have been presented, 12,000 sets per month for the fourth quarter of this year. And we don't have a plan for significant growth from that in '08 at this point. So, we're looking at '09 to be flat at that number right now. But, we'll know a lot more in about five weeks.

Pierre Maccagno - Needham & Company

Are you assuming with that about a 50% market share or do you think that the market itself comes down a little bit?

David Reed

Well, we don't know for sure. We've heard that the government will look initially to field XSAPI for the theatre forces and depending how long they choose to do that their run rate could be anywhere between 15,000 sets all the way to 25,000 sets per month. So we're targeting about somewhere in the high-teens with us getting 12 of it. So yeah, that's kind of a close estimate.

Pierre Maccagno - Needham & Company

Okay. So there could be some upside I mean, if the government comes in?

David Reed

It's possible.

Pierre Maccagno - Needham & Company

Okay. And then, some clarification on the BORONEIGE here in the note you say about your comment, the government is planning to purchase more mobile MRAPs. So, would you be able to supply these smaller MRAPs or would it be a competitor?

Joel Moskowitz

Well, I'll let Marc handle that question since he came in from Washington. Marc?

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