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Active Power Inc. Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. (Operator instructions). Our first question comes from Trey Cobb with Stephens Incorporated. Your line is open.

Trey Cobb

Good morning.

Jim Clishem

Good morning, Trey.

Trey Cobb

First question, you mentioned that the average selling price is up about \$400,000, I guess to 82,000 for the quarter. How should we look at the ASP going forward as some of these larger systems begin to ship in the second half of the year?

John Penver

Trey, I think using an \$80,000 average selling price long-term is the perfect way to look at it. In the past, we've gone through periods where we've had high yield count, lower selling price and then conversely high selling price, low volume, but as we are getting into some of these large orders, we're sustaining better selling prices and I think using that metric would be a reasonable indicator as we go forward.

Trey Cobb

Okay, that was helpful. And then, I guess in light of what you are seeing in the market in terms of mix, I think Jim, you touched on this in the call, could you revisit the Company's pass to profitability, sales, margins, mix et cetera and is the 125 wheel mark still applicable here?

Jim Clishem

It is and I think as John, said the 80,000 ASP would be a good number to apply to that. So, on a quarterly basis that would result to about \$10 million. And then we are still expecting on the order of 3 to \$4 million between what we would classify as service and system component sales that's effectively ancillary sales. But I still think you're looking at -- we have not seen any differing opinion

internally here that we shared in the past with regards to profitability on that mix. I still think you are looking down the order of 14 million plus or minus a little bit depending on the actual sales distribution or the product mix, it has a good number still going forward.

Trey Cobb

Okay, thanks. And then regarding China, obviously you guys received approval from the Ministry of Information over there and surely thereafter you got a nice order from a Chinese utility. Can you talk a little bit about the opportunities and coding activity that you are seeing in that market?

Jim Clishem

Yes, and in fact I'll expand it to beyond China. We are seeing first of all, first in China, we think there will be subsequent orders to the utility that took the initial eight PowerHouses. So, we are very bullish on that market segment in China. There is also a great deal of industrial sectors in China with their industrialization to also grow. As you know, we have a long history of selling UPS systems into the industrialized market segments through our relationship with, Caterpillar that experience we have I think is going to play well. Although, most of our sales, I think it's fair to say would be direct sales in China, as opposed to the UPS sales through Caterpillar in China.

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