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Rogers Corporation Q1 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) Your first question comes from Avinash Kant with Broadpoint Capital.

Bob Wachob

Good morning.

Avinash Kant -- Broadpoint Capital

Quick question. Regarding margins first, margins, you saw some improvements here at these levels in revenues. Should we expect these margins to kind of continue to grow through the rest of the year after June quarter?

Dennis Loughran

Yes, we expect -- although we don't have any firm forecast, we would expect that the Q3 would be higher in sales than Q2 and therefore, also higher gross margins.

Avinash Kant -- Broadpoint Capital

So, basically Q2 at this point you see as the bottom quarter for the full year, right?

Dennis Loughran

Yes, and that has been typically the case for the last few years once cell phones became a significant part of our sales. And as they are declining, of course this effect will become smaller. If you recall last year, there was about a \$15 million decline in sales from Q1 to Q2, and this year, we are looking at \$2 million to \$5 million. By the same token, last year, Q3 was about \$10 million greater than Q2. I wouldn't expect the effect to be that great this year.

Avinash Kant -- Broadpoint Capital

Okay. So, when you talk about Q2 being the bottom, is that just seasonality that you are talking about or you do have visibility for this year and you do see things improving?

Bob Wachob

We believe things will improve. However, we would expect Durel to every quarter be lower than the quarter before for the rest of this year.

Avinash Kant -- Broadpoint Capital

And Bob, if you could elaborate a little bit about one of your comments you made about the inventory at your customers.

Bob Wachob

Yes, one of the disk drive array manufacturers only forecast apparently once a quarter and then builds to the forecast. They are not going to take any product for about a month. And some of the cell phone people were pretty slow in recognizing that their inventories were rising and have therefore slowed down considerably.

Avinash Kant -- Broadpoint Capital

So this impact, is it coming from one segment of the market or you are talking about a broader segment, is it just disk drive guys or is it more --?

Bob Wachob

No, it is scattered. It is one person here, another person there. It is an individual company and not market oriented. The bigger the company, the more likely it is that they are slow in recognizing changes.

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