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Rimage Corporation Q1 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you, sir. Ladies and gentlemen, we will now begin the question and answer session. (Operator instructions) Our first question is from Chuck Murphy with Sidoti & Company. Please go ahead.

Chuck Murphy – Sidoti & Company

Good morning, guys. Could you just elaborate a little bit you know how much of the weakness do you think is related to the economy versus discount of your typical lumpiness?

Bernard P. Aldrich

Chuck, this is Bernie. I think you're seeing a combination of factors. The first quarter of the year particularly over the last three to four years has always started out rather soft for us. We find distributors you know have inventory, they are coming off a strong fourth quarter. And so it is always one challenge has always been to make sure that inventory's at the proper level, which is one thing we monitor very closely with our channel. I think one of the changes we have seen is I think distributors are becoming better business people, they are watching their inventory even closer and particularly in tough times where money is tight and were as we've been seeing, the cell cycle seem to lengthen out slightly. They are even more cautious on their desire to hold any significant amount of inventory. And I do think that you know I've never liked to use the economy as an excuse. I think that's why we're constantly out there looking at new applications, working hard at being integrated into new work flows. Looking at new geographic opportunities and it is also another reason why we are spending a considerable amount of time really working on developing our operations in Europe, in Asia, and we in the first quarter have also spent considerable time looking into Mexico and South America. That's a market that we really have no tapped into yet. So I think that the economy definitely had an impact. I also think, like I said, first quarter can be it is always more of a challenge for us. There was no, you know as far as the hardware business, there was no hardware really going into the retail sector in the first quarter. So, it all contributes.

Chuck Murphy – Sidoti & Company

Okay. So aside from retail, were there any other verticals that were particularly slow for you this quarter?

Bernard P. Aldrich

No, I think everything else maxed [ph 15:30] pretty close which you can see by the revenues. But we were, you know we did notice it as we stated in our release, the hardware sales were you know, lower as a percent of our total sales. And again a lot of that has to do with the fact that we're just not seeing, first of all people are pushing out there buying decisions. Second of all, our distributors are taking a real hard look at their inventory levels that they are carrying.

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