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ArthroCare Corp. Q4 2007 Earnings Call Transcript

Question-and-Answer Session

(Operator Instructions)

Our first question comes from the line of Raj Denhoy. Please proceed with your question.

Mike Gluk

Hi, Raj.

Raj Denhoy- Bear Stearns

Good afternoon guys, hi. Curious if I could ask a little bit about the expenses in the first quarter. I am trying to get a sense of how to quantify them, you talked about the Costa Rica plant being open for two weeks in December and then shut here for one week in January, I guess and then also the acquisition integration expenses. Is there a way to quantify the impact of those on -- I guess in the case of the Costa Rica plant on the fourth quarter and then also for both them on the first quarter?

Mike Gluk

Yes. I don't think there is -- I guess the only thing that would have been impacted the fourth quarter is the Costa Rican plant shut down being moved from one place to the other.

Raj Denhoy- Bear Stearns

That's right.

Mike Gluk

And for that's not a big enough number to have moved the needle on EPS I don't kind of believe that maybe?

Raj Denhoy- Bear Stearns

But the margins would have -- the gross margins I guess would have been a bit better because the plant was open?

Mike Gluk

The gross margins in Q4 would have been a little bit lower and they would have been little bit higher in Q1, but when you get on to the EPS lines, its not a big enough thing to make a big difference there. The acquisition integration expenses, that's probably a bigger number and that, that's going to --

that will probably have more impact on Q1 numbers. I don't know Mike -- if I am mischaracterizing it, please correct me.

Mike Baker

No. I think that's right. I think Raj, without going into the specifics, what we've given you is an indication that -- all told our earnings for the first quarter are going to look a little bit like our earnings for the first quarter of last year did in relation to how it rolled out for the entire year. So in that 30% to 32% range, obviously there is an impact that happened in product margin as result of the plant shut down, moving and there is some impact in G&A expenses associated with the acquisition expenses involved. And the rest of that is just normal?

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