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FEI Co. Q4 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Our first question comes from Satya Kumar with Credit Suisse. Please go ahead.

Satya Kumar - Credit Suisse

Hi, thanks for taking my question. Can you talk a little bit about the [module] implications for the new products that you have come out with in biology and the new products you talked about introducing later in the year for electronics, and can you give us some specifics on the new products for NanoE?

Don R. Kania

Okay, margin implications, all of the new products, not all of which I'll discuss in detail because they're early in the process, are well above averages for products for the company and so as we've had a record in the past of doing new products, higher margins, and those are targeted with the products. So the Krios which we have announced fits into that box. Within NanoE there's three products which we won't talk about in any detail here and I think you'll hear about it in subsequent quarters, two of which are already in beta with customers and it's just premature for us to talk about that in public but we feel very good about the initial reception of those products and I think it positions us well for as I said grabbing some additional serve market in the NanoElectronics segment.

Satya Kumar - Credit Suisse

That's helpful, thanks, Don and Rick, can you help quantify how much of an impact you have had over your gross operating margins over the last 12 months and supposing the Euro stayed flat from here on, which quarter will you no longer have the negative drag from the Euro?

Raymond A. Link

I'm taking the second part of the question first. If the Euro stays flat relative to Q4 what happens is that over time our hedging contracts, the gains that we enjoyed particularly in the second half of 2007 start to go away because they get replenished at the current rate so flat Euro at around 148 ultimately does have a drag on our gross profit margin. We'll see a little bit of that in Q1 as a result of that. To answer the first part in terms of what the impact was over the Euro, the Euro did depreciate 11%. We largely had that hedged. We saw a little bit of a negative impact in the fourth quarter, probably to the tune of about 0.25% on margin, but for the other quarters we were somewhat in balance with our currency. When we look at it over a two year period though, we see that the Euro has appreciated

about 22% since January of 2006 and that clearly has had a negative impact on our margins when you measure it over that two year period.

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