Electronics for Imaging, Inc. Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions). Your first question comes from the line of Ananda Baruah.

Ananda Baruah - Banc of America Securities

Hi, thanks guys. Thank you for taking the question. Just I guess a few if I could. Can you guys just talk a little bit more specifically around where you saw I guess the weakness in the controller business, U.S. versus Europe, higher-end versus lower-end? And I guess we think for you it sounds like the bar is getting reset across the board over the next quarter or so in terms of what seasonality in both businesses might look like. I was just wondering if you can give us a sense at least on the controller side what might be the biggest swing factor, what are the secular demand versus what the impact from Canon through IKON might be.

Guy Gecht

So first of all -- talk about the short-term impact, I think we saw since the beginning of the year or even Q4 last year softening demand, and which was related to makeshift in our OEM sales lower than units where we have less attach rate versus higher end. It was originally only in the U.S. in Q4 last year, then mostly in the U.S. but I think in Q3 it was across the board. We finally see softness in Europe. In general, it's tough to call right now the normal run rate of the controller business, and I hope you understand why we are trying to not say anything beyond this quarter. Clearly, we have a great brand, a great customer demand, great channel access. We are on all the engines. We like to be. Of course more engines would be better for us. We are seeing good attach rate on, for example, the OCC 700 [ph]. We are very pleased with our share on this engine, but keep in mind the ASP on this engine and ASP for the Fiery for the engine is a lot lower than the ASP on the 5000, 6000, 7000, 8000 that you saw lot more a year ago. So that's clearly impacting us as well.

Ananda Baruah - Banc of America Securities

Okay. Great. And then, Guy, just I guess on the cost cuts that you guys talked about, maybe it's the -- rationalization maybe is a better word. You guys are looking over a considering doing any -- can you give us any anecdotal comments about what the goal is, I guess kind of from an intermediate margin perspective once you settle in there? Can you give us some kind of sense what the timing might be on that?