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Cognex Corp. Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) I do show a few questions, our first, coming from Antonio Antezano with Macquarie Capital.

Antonio Antezano - Macquarie Capital

Good evening.

Bob Shillman

Hi, Anthony.

Antonio Antezano - Macquarie Capital

I was wondering in terms of your outlook for Q4 by each segment, now that we are at the end of October, if you can give us a bit more color in terms of what you expect for SEMI, factory automation and surface inspection in Q4.

Bob Shillman

Actually, Antonio, we expect all three to be down. SEMI is continuing to decline, we think factory automation will see some declines, as well.

And while SISD is doing well, they had a near record quarter in the third quarter and we don't expect them to match that in the fourth quarter. But still have a good quarter but not quite at the third quarter level.

Antonio Antezano - Macquarie Capital

When we think about what you just mentioned about controlling spending for next year, what will be the impact on R&D, given that you had to focus on new product development and whether that would be also affected by this lower spending next year?

Bob Shillman

Well, we still expect some rather higher spending as the percent of revenue in R&D and it's quite likely, despite the fact that revenue is going down, expenses will also be flat.

Richard Morin

Yes, there are couple of major areas that we're going to look to continue development and spend dollars in the IT market which has been very successful for us and also the Vision system on the chips. So those are a couple of key strategic areas where we're going to want to continue to invest some of our R&D dollars.

Antonio Antezano - Macquarie Capital

Thank you. I'll go back to the queue. Thank you.

Operator

Thank you. Our next question is coming from Chuck Murphy from Sidoti & Company.

Chuck Murphy - Sidoti & Company

Good afternoon guys.

Bob Shillman

Hi, Chuck.

Bob Shillman Morin

Hi, Chuck.

Chuck Murphy - Sidoti & Company

Could you just talk for a minute about currency, what its impact was on sales and operating profit in the quarter and what you expect, the impact to be going forward?

Bob Shillman

Well compared to the prior year and prior quarters, the foreign exchange rates during the third quarter gave us less of a pick up on the sale side or whatever and I'm trying to figure out. Actually about net revenue, foreign exchange compared to Q2, we lost about 1.3 million in revenues due to foreign exchange rates, Q2 to Q3.

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