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TTM Technologies, Inc. Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you, sir. Ladies and gentlemen, at this time, we will begin our question-and-answer session. (Operator instructions) Our first question is from the line of Steven Fox with Merrill Lynch. Please go ahead.

Steven Fox – Merrill Lynch

Hi. Good afternoon, a couple of questions on the gross margin, please. First of all, near term, if you look at your guidance for Q4, I guess we're talking anywhere from flat to down a couple hundred basis points. Besides volume, is there any certain mix effects that you're looking for both positive and negative in Q4 to help or hurt the margin? And then longer term on the gross margin, as you go into an economic downturn, I was curious how you anticipate your quick-turn business to react to that. How it usually does during these times?

Kent Alder

Yes, Steve. This is Kent. On the last part of that question with regards to quick turn, we did see just a little softness in the end of the quarter. That isn't a significant amount. It's kind of a float over into the fourth quarter. It's not something that I would get concerned out – concerned about in light of the macro environment that we're going through. Our quick-turn work sometimes is pretty strong in the fourth quarter. When we get to around the holidays and so forth it kind of tapers off at the end of the fourth quarter. So generally, we're probably a little stronger right now than we are. So I think that's a direct impact of some of the macro environment that we're going through.

With regards to our margins, this is a leveraged business. And we do have a lot of leverage in our models. So when the top line comes down, it has the effect of dropping the gross margins and operating margins. So that's the main impact that we're going to deal with in the next quarter. However, I think that when you look at our work with regards to aerospace/defense becoming a bigger portion that's probably going to be a little flat. We should have a little better mix to compensate for that, but the leverage is a pretty big knot to overcome.

Steven Fox – Merrill Lynch

So overall, the mix is helping a little net, but not in a major way, I guess quarter-to-quarter?

Kent Alder

I would think so. I think when you look at our end markets going forward like networking/communications. We think that's going to be down a little bit in the fourth quarter just based on a lower infrastructure work. Not only in networking, but also in the communication portion. Aerospace and defense, we think that's going to be flat this quarter. That's a little bit harder to forecast due to the end of the year impact, but I think that will be flat. Our computing and storage peripherals, we're forecasting that to be flat on a dollar basis too. I think there's some backlog there that indicates that we'll be fine in that end market. And then the medical/instrumentation that seems to be whether it's just a general softness throughout that end market segment. We think that will be down in the fourth quarter.

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