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## Rudolph Technologies, Inc. Q3 2008 Earnings Call Transcript

### Question-and-Answer Session

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**Operator**

(Operator instructions) The first question comes from the line of Patrick Ho.

**Patrick Ho – Stifel Nicolaus**

Thanks a lot guys. First a quick housekeeping question. Steve, in terms of the restructuring expense, I believe the \$1.1 million, so that's mainly in SG&A?

**Steven Roth**

No, it hit R&D and SG&A.

**Patrick Ho – Stifel Nicolaus**

Do you have a breakdown of that?

**Steven Roth**

Not in front of me, perhaps I can get back to you on that.

**Patrick Ho – Stifel Nicolaus**

Okay. Great. Paul, even with the slowdown in the overall environment, which obviously is not a big surprise. In the second or third quarter, you continue to have strength in the backend macro defect inspection business. I expect it to fall off in December. Are you surprised that how well that's held up and do you believe part of that is due to market share gains or just demand out there for the products itself?

**Paul McLaughlin**

We've been encouraged, Patrick and I thank you for your question. We are encouraged with requirement we have for some of our newer products in the backend. But I'll be very honest with you, we did fall off the cliff at the end of the – in the terms of orders for delivery in the fourth quarter, and we are seeing push outs in the fourth quarter into next year. So, while I'm pleased and I think we got some of that performance as Steve mentioned 50% plus of our business was in the backend. That was good. We were happy. But we see the backend starting to come around in the suffering mode. So, it's a – the book to bill was down dramatically and we are experiencing some push outs.

**Patrick Ho – Stifel Nicolaus**

Okay. Fair enough. In terms of your customers and specifically the Memory customers, as they slowdown, their production – they are trying to get rid of their inventory and in terms of their transition to the next technology node, what do you see from them in terms of I guess the valuation especially for some of your metrology tools? Are these now – these are evaluation time periods being pushed out as they delay when they introduce their next product?

**Paul McLaughlin**

I think that's natural, Patrick. I think when I was referring to smaller companies that are tough to weather the storm because I know we are being asked to extend evaluations and we can look at the tree for a little while longer kind of concepts. That is happening in real time. These people have it particularly in the Memory. They are trying to rationalize this – the players in the market, and all sorts of things are happening in Taiwan as you well know. And the packing order has changed a little bit in all of the Memory area. So, I do see some of the technology requirements being pushed out further to the right. But I do want to say that what is happening in the Memory area, and I think we could point to maybe 10% to 12% of the capacity in Memory has been taken out of the market in the last 60 days. That's primarily 200 mm stuff. And it may reappear again in some places as used equipment. Steve mentioned the fact that our service in space business is strong. One of the reasons I was aware reinstalling and reinstalling some used 200 mm equipment. That will probably continue for some time. But what it does do is put a strain on the 65 nanometer capacity, and we think that will start to fill up sooner because of taking the 200 mm product off the line. And so those products will now have to be done on 300 mm lines, which are capable of doing to 65 nm. Did that make sense?

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