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Waters Corp. Q4 FY08 Earnings Call

Question-and-Answer Session

Operator

[Operator Instruction] Your first question comes from Ross Muken, Deutsche Bank. Your line is open.

Ross Muken - Deutsche Bank

Good morning, gentlemen.

Douglas Berthiaume

Good morning Ross.

Ross Muken - Deutsche Bank

Can you walk us through on the instrument side, sort of the assumptions relative to life science instrumentation versus industrial instrumentation? Now I can understand how obviously on a related basis, you know clearly the demand in the life science end market is going to likely be somewhat stronger but I am trying to get a sense for how much especially given some of the recent announcements you know yesterday we obviously had the Wyeth, Pfizer news, you have seen pretty significant CapEx cuts at both bio-tech and pharma probably a bit more so than I think some of us had modeled and then obviously the CRO segments specifically both based on the weakness in the rupee and just general sort of over capacity in general seems to be kind of a good deal bit weaker than was expected so. Just help understand kind of what segments do you think specifically are going to kind of buoy that demand and how much better that industrial is it going to be?

Douglas Berthiaume

Ross, let me lead off and then John can fill in. I think in general what we are seeing for next year is essentially a continuation of the demand patterns we saw in the fourth quarter. We definitely saw in the industrial chemical side of the business demand rapidly fall-off, particularly in the TA instruments grouped that's highly focused on that segment of the market. The life science piece is a more complicated picture. Its not I'd say nearly equates off a margin [at TA] big pharmaceutical companies that had been struggling with a number of their own issues even before the financial crisis. You've got big biotech companies who aren't suffering nearly as much as average. Then you got little biotech companies that may be wondering where the next round comes from. Only and I'd say we think that the fourth quarter dynamics pretty much show what you are going to see next year. Yes, you've got a big merger with Pfizer and Wyeth in all likelihood coming. And we could see some effect of that on our business, but we don't think it's huge surely both companies have not been robust purchases in the last couple of years combined Pfizer and Wyeth represent something around 2% of

our worldwide revenues and of that about 1% or a half of it represent recurring revenues. And of the remaining probably half goes into regulated applications that are not likely to see major disruption. So, the amount of disruption that comes from that large pharma merger, we think is handleable within our overall guidance for 2009. So, that I think sets the picture. We think that the currency effects in places like India, Brazil and Korea will probably have a continuing effect early in the year, but we see some optimism that as we particularly in place like India get through the first quarter, they finish their fiscal years, there is more optimism that after that they can adjust to the currency picture and pick up demand. We see similar kinds of notions in other weak currency areas. So, we think it will continue probably through the first quarter but improving conditions thereafter.

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