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FEI Company Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you, sir. (Operator Instructions).

Our first question is from the line of Satya Kumar with Credit Suisse. Please go ahead.

Unidentified Analyst

This is (inaudible) for Satya. Thank you for taking my question. Your orders are over \$150 million for two quarters in a row, but your revenue guidance is \$135 million to \$142 million, are you being conservative on your revenue guidance given current conditions?

Don Kania

I would make two comments about that. I think number one, you are correct, we think in this environment it is prudent to be conservative, but also, as we look at the order book in Q4, it contained a large number of orders whose deliveries are scheduled for later in the year and so I think the conspiracy of those two spirits had us come down on the revenue range that we guided to.

Unidentified Analyst

Okay. And secondly, your service orders are strong in the fourth quarter, as compared to typically down in the fourth quarter. So is that because of the service orders that you had got from cost or is there any of the factor that's happening in service this time?

Don Kania

I think, if I remember correctly, we were down slightly in the third quarter, and if you look at the average for the past three quarters, we are comfortable with that rate. Typically Q1 is the strongest order for service orders and that's usually annual renewals coming through and so we expect that to happen in the quarter. Ray is looking at some numbers.

Ray Link

Yeah. They were only up a little bit over Q3. Q3 is actually our lowest quarter for service. We have a good portion of our service businesses in Europe. That's generally a slow quarter overall for that. But if you look back, historically, Q1 is generally our best quarter for service as a lot of people re-up their annual bookings. So, I wouldn't really draw much into the relatively small increase over Q3.

Unidentified Analyst

Okay. Okay. Thank you very much.

Operator

Thank you. Our next question is from the line of JoAnne Feeney with FTN Equity Capital. Please go ahead.

JoAnne Feeney - FTN Equity Capital

Thanks. Nice quarter, guys. A couple of questions about the higher than expected revenue number last quarter. Does that reflect some forms of shipments from the first quarter? Is that part of the reason why your first quarter guidance is lower than your order run rate would suggest?

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