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TTM Technologies, Inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you, sir. (Operator instructions). Our first question comes from the line of Shawn Harrison with Longbow Research. Please go ahead.

Shawn Harrison – Longbow Research

Good evening, Steve and Kent. Just I wanted to get to the incremental margins. It looks like you are being implied here with the guidance for the March quarter. They look a little bit higher than normal, somewhere in the kind of a 50% range, and I was just wondering maybe if you could detail some of the factors behind that. And then maybe some more details just on the timing of the roll on from the savings of the closure of Redmond and also kind of the other layoffs that you've implemented?

Steven Richards

Yeah, sure Shawn. As you know in general our incremental margin on the PCB manufacturing side is kind of at that 50% level because obviously our fixed cost business, labor and capital equipment [jointly] increased. We have to do incremental work and that's very true of the current scenario with the Redmond transfer. The work that we will be sending to other plants will increase utilization of those plants. We effectively won't need to add any additional staff at those locations or equipment at least in the near-term to accommodate that work. In terms of the run rate, we are looking at a run rate for 2009 for that Redmond plant of about \$36 million a year, or about \$9 million per quarter. Obviously, we don't expect that and just simply map over to the new plants, that clearly but we do have a fair amount of cross qualification of the customers in Redmond with our other plants. So, we expect to have about \$6 million of revenue in the second quarter that comes from Redmond plant and is being built at other locations and about \$7.5 million in the third and fourth quarter of this year.

Shawn Harrison – Longbow Research

Okay. And then just maybe on the restructuring savings. When do you expect to see kind of a full run rate at that \$20 million to \$25 million? Steve.

Steve Richards

That will be Q2. We'll probably see about \$2 million of cost savings in the first quarter and that's not mostly from Redmond, it's more from the other layoffs we did in mid January. About a 140 people, so you see about probably a \$1.4 million in savings in the first quarter for labor spends about \$600,000 or lower depreciation expense due to the asset impairment we recorded. And then in the beginning

of the second quarter based on our current plan to shutdown Redmond in the middle of March, we should start seeing about \$5 million of savings per quarter beginning in the second quarter.

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