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Cognex Corporation Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Charles Murphy - Sidoti & Company, LLC.

Charles Murphy - Sidoti & Company, LLC

Could you just talk a little bit about the linearity of the orders? I mean, how have January and February fared relative to November and December?

Dr. Robert J. Shillman

We're not going to give you any real specifics. Dramatically down.

Charles Murphy - Sidoti & Company, LLC

So it wasn't as if -

Dr. Robert J. Shillman

I'm looking at the numbers right in front of me, a spreadsheet, and I can tell you in every product category except one, the small product category, down, okay?

Charles Murphy - Sidoti & Company, LLC

And then it's February relative to January as well? Or?

Dr. Robert J. Shillman

Year-to-date the relative to year-to-date last quarter and year-to-date a year ago. And this is dated today, so things are down. And you know I hesitate to tell you what percentage but it's a double-digit percentage down.

Charles Murphy - Sidoti & Company, LLC

And as far as how we should look at the gross margins for the next couple of quarters, I mean, will you be cutting prices to get some inventory out the door? Or how should we think about that?

Dr. Robert J. Shillman

To answer your first question we expect that the gross margin will still be in the low 70's. Cutting prices is something we've never done and I don't believe that that's what's keeping us from getting

orders. You know, if customers need the product – if there are project out there, you know, an automation line at Gillette or Procter and Gamble, we'll get the order. It's not a question of they don't have another grand or ten grand.

The issue is all these – many of the projects are just put on hold. It's the same – companies around the world are doing, their board of directors are doing exactly what Cognex's board of directors did at our last meeting. We said, "Gee, let's stop buying stock." Right? So that's the story. So no, price cutting would not help and we'd hesitate to do that anyway.

Operator

Your next question comes from Antonio Antezano - Macquarie Research Equities.

Antonio Antezano - Macquarie Research Equities

Regarding the new products that you just provide some comments, if you could expand on that, what type of new products you expect to launch? That would be this quarter, I guess, with maybe the impact for the second quarter?

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