Ceradyne, Inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. (Operator Instructions) Your first question comes from the line of Michael Lu of ThinkEquity.

Michael Lu – ThinkEquity Partners LLC

Thank you for taking my questions here, Jerry you would, excuse me, like you all, I am also bad on the cold here. Jerry, you mentioned producing free cash flow in 2009 could you elaborate a bit more on that and what is the target level for the year?

Jerrold J. Pellizzon

We have the CapEx for the year is dominated by our expansion into China, we looked at an overall plan of [$45 million] of CapEx and about half of that is dedicated just to expanding to a new facility in China. So, we are expanding our capacity there to produce ceramic crucibles. So, we got $45 million of depreciation forecasted and our depreciation and amortization is 36 for the year. So, we got about a $10 million difference between the two and if you take the $1.65 or the $2 per share you've got free cash flow between $32 million and $42 million for the year. So, that's the free cash flow, now that's without the impact of any working capital and we do think that we are going to see reductions in inventory and receivable balances commensurate with the a slightly contracted business activity and business level.

Michael Lu – ThinkEquity Partners LLC

All right, great and also I want to switch gears thereof, you've talked about the delays in the defense orders, but assuming the current economic environment holds and the current year outlook holds.

Joel P. Moskowitz

Yeah.

Michael Lu – ThinkEquity Partners LLC

Do you see a cross over by year-end, where non-defense drives 50% of revenues?

Joel P. Moskowitz

It's a possibility, the reason that we used the [verbiance] we did in the XSAPI, the revised RFQ say that they want the product, the XSAPI all in eight months. So, even if it gets delayed a little further say into April, we will be able to put all of that out in 2009. So, I would say that right now, our projections of about a 50:50 mix for '09 most likely will stand up.

Michael Lu – ThinkEquity Partners LLC

Okay. Next I have one last question and I will hop back in queue, it seems like obviously there I the increased use of nuclear energy and there is a lot of increased discussed and, pickup in momentum, could you talk about the waste containment in Boron business, has there been a pickup in demand or increase recently given the more frequent discussions on nuclear energy use?