

The logo for Seeking Alpha, with the text 'Seeking Alpha' in white and a gold Greek letter alpha symbol to the right, all on a dark red background.

Corning Incorporated Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) The first question comes from the line of Mark Sue – RBC Capital Markets.

Mark Sue – RBC Capital Markets

Jim, can you help us understand or help us think about the seasonality now that glass volumes have normalized? Maybe how we should think about that from a quarter-to-quarter basis? Separately, when you say gross margin should be up significantly can you put some parameters on that considering that you are taking some tax off idle and should it go back to 40% for example? Any help there would be great.

Jim Flaws

On seasonality, we did provide a slide showing what we view our forecast for total market demand at retail in glass in the slide that we showed this morning. Seasonality around the world, at retail we are not seeing much significant change. The impact on our glass business becomes more driven by television every quarter. You have to look at the different regions. As you know, China is much stronger in the early part of the year. The U.S. much stronger in the last four months of the year and weaker in the second quarter. Europe is similar to the U.S. but slightly more muted and then Japan is relatively more stable all year long.

As far as gross margin percent, we are not giving any corporate-wide forecast, but definitely the increased volume will be helping our gross margin a lot in display as well as obviously the corporation. As we begin to fire up glass tanks in May and June they have basically been absorbing the fixed cost of that with no production and now we will be able to generate additional gross margin from them. Lastly, in Q2 we will be ending selling out of inventory and that will also help our results.

Mark Sue – RBC Capital Markets

With better demand and inventories pretty lean how do you think about pricing overall in terms of what the panel makers or customers are asking of Corning?

Jim Flaws

My only comment on pricing with our panel makers is we have told them we will be lowering prices this quarter but on a much more moderate rate of decline than what we had in Q1. That is what we are expecting to achieve.

Operator

The next question comes from Brian White – Collins Stewart.

Brian White – Collins Stewart

On the pricing point here, have you sat down with the panel makers and negotiated for the June quarter yet?

Copyright © 2009 CBS Interactive, Inc. All Rights Reserved.