

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

Symmetricon Inc. F3Q09 (Qtr End 03/30/09) Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. (Operator Instructions). Your first question comes from Mike Crawford – B. Riley & Co.

Mike Crawford – B. Riley & Co.

Thanks. So the gross margin of 48.4% pro forma in the quarter, I mean, clearly now you've got three quarters of stronger gross margins than you've had in the recent past. What does it take to get them up over to around 50% on a consistent basis?

Justin Spencer

I think it's important to point out that our gross margins this quarter were affected by the international sales that we had, which tend to be a little bit lower than our overall company margins. We don't expect that mix – while we expect international sales to continue at a good pace we don't expect the mix of international sales to total revenue to be like that going forward.

So if you exclude the impact of some of the international sales this quarter our margins would have actually been a little bit higher. So we're actually very close if not at the 50% level that we had expected.

Mike Crawford – B. Riley & Co.

So am I to imply from that that in fiscal 2010 50% is a good benchmark to shoot for?

Justin Spencer

That's consistent with what we've said historically, yes.

Tom Steipp

Keep in mind Mike that it's been an ongoing process, particularly on the manufacturing side. We've had a very focused program to reduce manufacturing costs in general and in particular as part of that to outsource boards to Sanmina. That's a long-term process that should be finishing up probably the end of the fiscal year before we get the full benefit of that.

Mike Crawford – B. Riley & Co.

And when that finishes up is there going to be anything left in Puerto Rico or is it all moving to China?

Tom Steipp

Oh no, the boards are moving to China or at least most of the boards are moving to China, but we still have things in Puerto Rico. That's 20 years worth of installation, configuration and test capabilities that doesn't move particularly well. We should also comment that about a third of our business is U.S. government and while we use Sanmina for some of that as well those products don't go to China. They use U.S. facilities for those.

Mike Crawford – B. Riley & Co.

And then final question relates to a kind of legacy business with the North American carriers to maintain their old networks, so what's the status of that? How long can these be stretched out? Is this something that's going to sell off now or is that something you expect to pick up?

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