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## CPI International, Inc. F2Q09 (Qtr End 03/31/09) Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator Instructions) Your first question comes from Gary Liebowitz – Wachovia Capital Markets, LLC.

#### Gary Liebowitz – Wachovia Capital Markets, LLC

Joe, can you tell us when you expect to have these cost cutting measures fully implemented? And, were there any non-recurring type severance costs or consolidation costs during the quarter?

#### O. Joe Caldarelli

The incremental cost reduction efforts were all implemented at the beginning of Q3 so all of Q3 will benefit from those. There were some modest non-recurring costs for Q2 for severance but they're relatively minor.

#### Gary Liebowitz – Wachovia Capital Markets, LLC

Also, you mentioned the ship building seem to favor your products in the FY '10 budget. Is there any other commentary on the 2010 defense budget proposal whether it's in military SAT com or other areas that you think are worth pointing out?

#### O. Joe Caldarelli

The proposals, they're largely mutual to us but perhaps slightly encouraging in the sense that they seem to indicate that existing platforms are likely going to be maintained and remain central to our army, navy and air force so that's generally good news for us. I think with respect to the ships the confirmation that three Aegis ships are likely going to be ordered in 2010 is good news. That would translate to orders for us perhaps later in 2010 and shipments perhaps in 2011.

We had read before of course that there would be additional Aegis type ships, perhaps totaling eight or 10 in total and we haven't seen any more confirmation of that. But, given that they are restarting those lines we're encouraged by that trend. There are some funds for some of the national labs, experimental labs that could very well be beneficial for us. It's fairly difficult to quantify that and the timing but there is some infrastructure money that will be beneficial to us in the medium term measured in the orders of millions of dollars not tens of millions.

#### Gary Liebowitz – Wachovia Capital Markets, LLC

Just one more, maybe for Joel, for cash flow modeling purposes I should assume any earn outs this year or probably next year for Malibu?

**Joel A. Littman**

We'll measure that at the end of the third quarter of this year but as you recall last year there were no earn out for Malibu and a big component of the earn outs are based on cumulative so if there is going to be any earn out for your cash flow modeling it will be pretty modest.

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