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ESIO - Q1 2016 Electro Scientific Industries Inc Earnings Call

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CORPORATE PARTICIPANTS

Brian Smith *Electro Scientific Industries, Inc. - IR*

Ed Grady *Electro Scientific Industries, Inc. - President and CEO*

Paul Oldham *Electro Scientific Industries, Inc. - CFO, VP of Administration*

CONFERENCE CALL PARTICIPANTS

Jim Ricchiuti *Needham & Company - Analyst*

David Duley *Steelhead Securities - Analyst*

Andrew Masuda *D.A. Davidson - Analyst*

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the ESI fiscal 2016 first-quarter earnings call hosted by Brian Smith. My name is Leila and I am your event manager. (Operator Instructions) I would like to advise all parties this conference is being recorded for replay purposes. And with that, I will hand over to Brian Smith. Brian, you may proceed.

Brian Smith - *Electro Scientific Industries, Inc. - IR*

Thank you, Leila. And good morning, everyone. My name is Brian Smith, Director of Investor Relations for ESI. With me today are Ed Grady, our CEO; and Paul Oldham, our Chief Financial Officer. This call will cover our fiscal first-quarter 2016 results.

Before we go into the details of the call, I would like to remind you that some of what we say on this call will include forward-looking statements concerning customer orders, shipments, revenue, gross margin expenses and earnings. These statements are subject to this Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements include a number of risks and uncertainties that are discussed in more detail in today's press release and our filings with the SEC. Actual results may differ materially from those forward-looking statements.

This call also contains time-sensitive information that we believe to be accurate as of today, July 29, 2015, and which could change in the future. This call is the property of ESI. Now I will turn the call over to Ed.

Ed Grady - *Electro Scientific Industries, Inc. - President and CEO*

Thank you, Brian. Good morning and welcome to our first quarter conference call. Overall, Q1 was another quarter of solid progress towards our corporate revitalization as we grew our revenues, introduced key new products, controlled spending, and generated positive cash flow from operations. We continued to execute our strategy to leverage our technology and common architectures to adjacent markets within the micro-machining, printed circuit board, and semiconductor processing industries. Over the last year we have strengthened our portfolio of products and expanded our addressable market. We expect these new products to drive significant revenue growth in the future.

Revenues for the quarter were above our expectations, and adjusted net loss per share was better than our guided range. Paul will provide more details in a few minutes. But first, let's look at why this success. Looking at some of our key end markets, our components processing segment, flex via drilling, remains strong. We shipped and recognized revenue on several units of our new GemStone via drilling system in the quarter. This system, which incorporates our proprietary laser to deliver the industry's highest performance via drilling tool, is receiving favorable customer response. Looking forward, we expect the flex market to continue growing, driven by smart mobile and wearable devices.

In January we introduced the CornerStone ICP platform, which is a high performance via drilling system for IC packages. We shipped our first beta unit in Q1 and plan to ship additional beta units this quarter. We are targeting qualification of tools at at least one customer in the December quarter and initial orders in revenue this fiscal year. This product is a key part of our strategy to expand into adjacent applications and grow our addressable market in the printed circuit board industry. It takes a while for our customers to evaluate and qualify a new platform like CornerStone, but we are encouraged by the performance of the tool and initial customer reaction.

On the semiconductor side we formally announced our Ultrus wafer processing tool and recently achieved production qualification at a major semiconductor manufacturer. The demand for this capability is beginning to emerge and we are excited to be established at a plant of record for this application.

Business levels in micro-machining segments were sequentially better, driven by upgrades on our installed base and by design wins -- by a design win for our Lumen Series midrange micro-machining platform that we introduced last fall. The Lumen series was our first modular platform and marked our entry into the performance segment of the midrange market. Since introduction of this platform, we have had multiple design wins and continued see good customer activity for Lumen.

Our acquisition of Topwin brought with it a portfolio products for the low-cost market and the building blocks of a low-cost China-based platform. During the quarter we leveraged this base to introduce the trade platform, which incorporates ESI technology to provide a versatile midrange product at an attractive cost of ownership. The Topwin and Jade products are manufactured in China and our targeted primarily at the China market, although we expect there will be demand throughout Asia. With Lumen, Jade, and Topwin we now have a portfolio of flexible, modular platforms to serve an array of performance midrange low-cost applications for the micro-machining market. I am excited by how quickly we have been able to develop and introduce these differentiated and compelling products for our target markets. We are executing on our plan to penetrate these markets, gain market share, and grow the Company. I expect these new products to drive incremental revenue for ESI over many years.

As a part of our focus on growing revenue, we have invested in marketing and are beginning to see the results from market repositioning, brand awareness, and product campaigns. We've also expanded our sales channels and are beginning to see orders from new customers. At the same time, we are executing on other critical actions necessary to achieve our Company revitalization. We are driving lean programs to improve efficiency across the Company. We also continuing to drive improvements in our cost structure focused on increasing operating profit. And we are focused on the balance sheet to mitigate the use of cash as we drive towards breakeven profitability.

Finally, we are excited about the changes we have made at the board level. Our Board is committed to enhancing shareholder value and the proven industry experience brought by our new incoming Board members will be extremely valuable as we focus on taking all actions necessary to return ESI to profitable growth. As we look forward, we believe our transition is on track, but there is clearly more work to do. Our growth will be driven by timing of adoption of our new products and the underlying market environment.

We are seeing some headwinds in the growth rates of smartphones and mobile devices and recent weakness in semiconductor capital equipment investment that could impact overall market. However, we believe our target markets are continuing to invest in tools for performance and lower cost of ownership to be prepared for the next market surge. While our transition might not be linear, the whole Company is energized and excited by our progress. And as a Company, we are committed to meeting our objectives and returning the Company to growth and profitability as soon as possible.

With that, I will turn the call over to Paul for an overview of our financial results.

Paul Oldham - *Electro Scientific Industries, Inc. - CFO, VP of Administration*

Thank you, Ed. Good morning, everyone. The following information includes results from our first quarter of fiscal 2016, which ended June 27. To improve comparability, we are also providing earnings per share and related income statement results on a non-GAAP or adjusted basis excluding the impact of purchase accounting, equity compensation, and other items.

Before I go into the financials, let me make you aware of a recent change in our financial reporting practice. Beginning with our 10-K filing on June 29, we are reclassifying certain service-related expenses which were historically recorded as operating expense and recording them instead as cost of sales. We made this change because we believe these expenses more closely reflect the cost of providing the support our customers pay us for. There is no change to operating or net income.

As result of this change, from a business model perspective we would expect non-GAAP gross margins going forward in the 35% to 45% range, depending on volume. Operating expenses will be correspondingly lower. Further, as these costs are largely fixed in nature, there is no change in our model for leverage or incremental margin from increased sales.

Turning now to the quarter, bookings were $42 million, up 5% from $40 million last quarter. Bookings in our component processing segment were roughly flat from last quarter. Within this segment demand for interconnect products grew sequentially and was up 10% year over year with strong demand for flex products including our new GemStone product and higher service activity.

Bookings for our semiconductor products were down sequentially on lower Circuit Trim demand following strong orders last quarter. Orders for component tests also decreased from last quarter with demand for new systems software while servicing consumables demand increased. Orders in our micro-machining segment grew from last quarter, driven primarily by a multiunit order for our Lumen Series performance micro-machining System and some upgrades to install systems. In addition, we have continued to see good customer interest in our Lumen product in early Q2.

With the addition of our new Jade platform and Topwin products, we now have a broader portfolio of products, which we believe will enable growth in this business. Shipments were $46 million. Backlog decreased to $32 million and our book-to-bill ratio was 0.91. Remember, our book-to-bill ratio compares orders to shipments, not revenues. Deferred revenue increased to $14.9 million on ship as of new products. The combination of backlog and deferred revenue was down modestly to $47 million.

Revenue for the quarter was $43.1 million with sequential growth in all product categories within our component processing segment. Revenues from micro-machining were down sequentially due to lower order levels in the March quarter. However, we expect micro-machining system revenues to rebound in the second quarter on stronger orders and continued traction on the Lumen platform.

Product revenue was $32 million, up 23% from last quarter. [Service] revenues were about flat at $11 million. GAAP gross margin was 36% and included about $400,000 of purchase accounting and equity compensation in cost of sales. On a non-GAAP basis gross margin was 37% compared to 38% last quarter, although our gross margin was primarily due to unfavorable mix and initial cost associated with ramping our GemStone product in our component processing sector and higher parts usage under contract in our service business. This was partially offset due to better margins in our micro-machining segment. Looking forward to next quarter, we expect adjusted gross margin to be higher on increased volume, lower ramp costs, and improved mix.

GAAP operating expenses were $21.5 million including $1.4 million of purchase accounting and stock compensation and $200,000 of costs related to Topwin and the closure of our facility in Chelmsford, Massachusetts. On a non-GAAP basis operating expenses in Q1 were $19.9 million, down 4% from last quarter on lower labor and project expenses. Looking forward, we expect operating expenses to increase slightly next quarter, primarily on higher selling and other variable expenses. In addition, we expect to incur approximately $1 million in restructuring costs as we continue to optimize our cost structure. Over time we would expect non-GAAP expenses to trend lower as we see the results of our cost reduction and efficiency programs.

On a GAAP basis operating loss was $6.1 million. Non-GAAP operating loss narrowed to $4.1 million compared to a loss of $6.4 million in the prior quarter. On a non-GAAP basis income tax expense was $357,000, reflecting foreign taxes. We expect Q2 tax expense to remain in this same range. GAAP net loss was $6.4 million or $0.20 per share, compared to a loss of $0.75 per share last quarter, which included non-cash charges for goodwill and our minority equity investment and restructuring charges. Adjusted net loss improved to $4.9 million or $0.14 per share compared to a loss of $6.5 million or $0.21 per share last quarter.

Turning now to the balance sheet, cash and investments were $58.5 million, up approximately $900,000 from last quarter. We generated $2.3 million of operating cash during the quarter, primarily on improvements in working capital and narrower losses. Accounts receivable increased by

$5.3 million to $51.3 million, primarily related to the timing and level of shipments. DSO decreased slightly to 109 days. Inventories increased by about $600,000, primarily on the build ahead of finished goods inventory related to the closure of our Chelmsford facility. Inventory turns were approximately 1.9 times. Accounts payable increased to $6.9 million on a more normalized timing of inventory, receipts, and payments. Capital expenditures were $1.3 million, down from $1.8 million last quarter. Depreciation and amortization excluding purchase accounting was $1.9 million. In the past year we have invested in developing differentiated and compelling new products and in the other elements of our revitalization strategy. We are beginning to see the results of those efforts in both top-line growth and narrowing losses. For the second quarter we expect to see continued improvement with revenues between $42 million and $47 million and adjusted loss per share to be between $0.10 and $0.15.

In summary, we believe we are on track to achieve our financial objectives through the first half of the fiscal year, growing our revenues, narrowing our loss and mitigating the impact on operating cash flow. We are focused on executing our strategy and managing our cost and margin structure to reach breakeven and to position the Company for long-term growth and profitability. Although second half revenues will be dependent on timing of qualification of new products and strength of the overall market environment, we continue to be generally comfortable with Street expectations for the year.

Now I will turn the call back to Ed for a brief summary.

Ed Grady - *Electro Scientific Industries, Inc. - President and CEO*

Thanks, Paul. In summary, we're on track with our corporate revitalization plan. We continue to work diligently to drive our new products into the market and achieve customer awareness and preference. We have more new products in the pipeline and over the next few quarters we expect to have tripled our addressable market with differentiated new products, $1.5 billion in size in less than two years. With a complete product portfolio, localized design and manufacturing, an expanded sales channels, and our ongoing focus on cost optimization and efficiency, we believe ESI will be poised for continued profitable growth.

This concludes our prepared remarks. At this time we would be pleased to take your questions. Leila, if you could open the line?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Jim Ricchiuti from Needham and Company.

Jim Ricchiuti - *Needham & Company - Analyst*

I was wondering if you might talk a bit more about the new products. It sounds as if you are seeing the most traction, at least early on, from Lumen. Is that a fair characterization? And if it is, I wonder if you could talk a little bit about where this product is gaining the traction.

Ed Grady - *Electro Scientific Industries, Inc. - President and CEO*

Yes, Jim. I think the answer is, that's correct. But again, look at the timing. Lumen was announced, gosh, in last fall. So we've had a lot of time to get it out to customers. They've had time to look at it. So, I think it's clear that has had the greatest traction. It's clearly in the micro-machining space. It's in applications that are new applications for marking, cutting, drilling. So there are some, again, very interesting new applications that this is targeted at in more of the I'll say consumer electronics side of the business.

I guess the other key point is that on the other newer products like CornerStone and GemStone, I guess I would highlight that GemStone was just introduced and we shipped multiple units within the same quarter that we announce the product, and the customers actually signed those often we recognized revenue on a brand-new product that's based on the 5335 platform with the new laser. So that is probably -- GemStone is probably a faster adoption than anything we've seen in the past history of the Company. And I think we have the same kind of confidence in CornerStone, where it just is -- because CornerStone is such a significant investment for customers, the qualification cycle is just unknowable at this time. But the traction is really good. We are seeing a lot of pull. We are continuing to see a lot of pull on that, Jim.

Jim Ricchiuti - *Needham & Company - Analyst*

And Ed, I have just a follow-up on CornerStone. Maybe, if you can, just talk a little bit about the competitive landscape for this product.

Ed Grady - *Electro Scientific Industries, Inc. - President and CEO*

CornerStone is a high-precision, high-accuracy, very high speed via drilling tool for what is called the integrated circuit packaging market. It's a market that has not been well served in the past, so it's a leverage of our existing technology that we have used in the flex circuit area but goes beyond and goes into the broader, more rigid circuit board area. I would say that the current suppliers in the market have struggled to provide the precision and accuracy that's needed in this space. So we're actually, I think, filling a void, which is really positive for us.

Jim Ricchiuti - *Needham & Company - Analyst*

And from a shipments standpoint, are you more optimistic about the activity for this product picking up in the second half, latter part of the year?

Ed Grady - *Electro Scientific Industries, Inc. - President and CEO*

Yes. I think this is one of our core products that will give us the transition to get us from that low to mid-40s on revenue up to the 50s level, where we can get to breakeven. It's really a key component of that, but I think it's a combination of Lumen, GemStone, CornerStone, and Ultrus that will get us there. And I would say, yes, we are really -- we're counting on CornerStone in the second half.

Jim Ricchiuti - *Needham & Company - Analyst*

Thanks very much.

Operator

David Duley from Steelhead.

David Duley - *Steelhead Securities - Analyst*

Could you just maybe give us an idea of, when you look at their segment breakout of revenue, what do you see happening in the September and December quarters? Which segments will be up and which segments will be down?

Paul Oldham - *Electro Scientific Industries, Inc. - CFO, VP of Administration*

We would expect to see probably growth in both segments over the September and December quarters. As Ed mentioned in the component processing segment, we do expect to begin to see the impact of CornerStone, particularly late the year as we go through the qualification processes. And we've seen good activity on GemStone and would expect to see continue adoption growth on that product.

On the micro-machining segment, clearly, as we continue to see good customer activity on the new Lumen products, we think that will drive growth from what were pretty low numbers over the last couple of quarters and last year. And with the introduction of the Jade platform, and, I'll say, and the Topwin products, which are now in our portfolio and beginning to get populated through our sales organization, the combination of those three products gives us a portfolio of products in this mid-range to low-cost segment that we just haven't really had before. And we think that's going to open new opportunities for us as we expand our reach into additional customers.

David Duley - *Steelhead Securities - Analyst*

Okay. And you've broken out the service revenue for us and it looks fairly flattish over the period that you have presented year. What are the opportunities to grow that revenue line from this $11 million run rate that you are at?

Paul Oldham - *Electro Scientific Industries, Inc. - CFO, VP of Administration*

Service revenue for us is largely driven by our installed base and the activities that we do to support that installed base. What I will call the demand for service can bounce around quarter to quarter based on the timing of signing of extended warranty contracts and things like that. But the revenues tend to be fairly consistent. We have seen service continue to grow over the last couple of years as our installed base has grown. And we continue to see that as a business that has the opportunity to be --continue to grow over time.

David Duley - *Steelhead Securities - Analyst*

Now, if you are successful and placing all of these new products -- I guess there's probably a one-year warranty period. But what kind of growth in the service business or trajectory could you see over at three-year timeframe, let's say?

Paul Oldham - *Electro Scientific Industries, Inc. - CFO, VP of Administration*

Well, generally service revenue tends to lag a little bit the systems revenue because of the fact that you just point out, that there is a warranty period. But I would say in general that we would expect to see our service business grow at about the same rate as the Company but on a lagged basis maybe by about a year. And so that's what we expect.

I do think the new products that we are bringing out would lend themselves to long-term service support. And so, we do see service being a business that should have growth over time.

Now, like any business, we have much older products that fall off at some point in time. And so there will be some headwinds. But in general, we would expect to see growth from our service business over time.

David Duley - *Steelhead Securities - Analyst*

And (multiple speakers) for me is when you had these new product into the baseline. Over a -- I'll just ask that same question in different ways. What kind of growth rate are you targeting at this point for the Company?

Ed Grady - *Electro Scientific Industries, Inc. - President and CEO*

Well, I think it's clear we ended last year at like $160 million. We believe this year is going to be, as Paul said earlier, we think with the market has and what is consistent with what our beliefs are. So that's double-digit growth this year. I think we see that staying in for the next year or so. So that's where we see it.

I think one of the other points, though, David, back to your service question is the leverage that we are getting on service to our internal laser business. As we develop and deliver our new products with our own internal lasers in them, you are actually going to see leverage in the laser business as well. So it's not just service, it's service driven by the replaceable lasers that are the light bulb in the system. So I think it's a double leverage opportunity for us.

David Duley - *Steelhead Securities - Analyst*

So basically consumables revenue is also going to go up a lot?

Ed Grady - *Electro Scientific Industries, Inc. - President and CEO*

Yes, but it will be shown in product side versus service side because it's a product. Laser is a product.

David Duley - *Steelhead Securities - Analyst*

Okay. And final question is, did you have any 10% customers during the quarter?

Paul Oldham - *Electro Scientific Industries, Inc. - CFO, VP of Administration*

We did not.

Operator

Tom Diffely from D.A. Davidson.

Andrew Masuda - *D.A. Davidson - Analyst*

This is Andrew Masuda calling in for Tom. First question is for Paul, just on the guidance. Could you maybe give us some color on what your expectations are for cash generation and cash use?

Paul Oldham - *Electro Scientific Industries, Inc. - CFO, VP of Administration*

Yes. We have stated that overall this year we would mitigate the impact on cash but given that we expect it to be a turnaround year that in general we would use a little bit of cash during the year. Obviously, we are very happy that in the first quarter we were able to really stem that flow and actually generate a little bit of operating cash. As we look forward into the next quarter we would expect that we might use a little bit of cash but we can probably keep it in this same range. Over the course of the year, it will largely be dependent on how fast revenues grow and how much investment there is in accounts receivable. So I think it will be largely driven by working capital needs as our losses narrow. That will be a lessening impact. And as we mentioned the quarter or so ago, if we see faster growth in revenue and that drives use of cash for receivables, that is at least -- that's the primary purpose of having the line of credit in place is it allows us to access that for flexibility if we need it.

Andrew Masuda - *D.A. Davidson - Analyst*

Okay. And just on the OpEx side, you mentioned that that's going to tick up next quarter. Just looking into calendar 2016, how do you guys see that progressing as the new products ramp further?

Paul Oldham - *Electro Scientific Industries, Inc. - CFO, VP of Administration*

Well, as the products ramp there will be some variable costs, primarily in selling. But in general we would expect operating expenses to be flat to trending down as, at the same time, we are continually taking actions to optimize our cost structure through attrition, through selective activities. Also, as you know, we have announced that we are closing our Chelmsford facility. The impact of that starts to benefit us very late in the calendar year. And so we will see those impact offsetting the natural increases you would see from volume, to a large degree, and would expect in general that we would trend down modestly over time.

Andrew Masuda - *D.A. Davidson - Analyst*

Okay. And then just a question for Ed -- in your prepared remarks you mentioned that there's some headwinds in the market around the smart phone and mobile device area. Can you just give a little bit more color around that and how that impacts you guys over the next couple quarters?

Ed Grady - *Electro Scientific Industries, Inc. - President and CEO*

Yes. That's a great question because we don't see the impact to us directly right now. What we are seeing is just general industry, people talking about the number of units of smartphones being shipped. We are actually seeing some of the Chinese white phone suppliers. Their unit volumes are down fairly dramatically, which means there's probably -- the demand is not as high. So clearly, that headwind in terms of the unit numbers is a potential impact. But I think the key for us is that the new products that we are bringing to market, things like CornerStone and things like Lumen, are actually changing the dynamic for the next generation of products. The ICP market is very much focused on what's next. And we think people are going to continue to invest in things like that.

There's very clearly, with wearables and others, even though the market seems to be slowing down we are actually seeing strong demand for products like GemStone, which are a significant differentiated product from the run-of-the-mill flex drilling tool. So it's a tough question to answer because, while we see some potential impact from headwinds in the market in general, we just don't know how that's going to impact the timing of people placing production orders or the timing of people putting resources on doing qualifications. So that's why we are a little bit hesitant. But at this point we don't have any data points that suggest that full are not going to move forward with the new product qualifications we have.

Andrew Masuda - *D.A. Davidson - Analyst*

Okay, and final question from me -- can you just give us an update on your guys' progress in integrating your internal lasers into your systems? And just maybe remind us of the impact to the gross margin line.

Paul Oldham - *Electro Scientific Industries, Inc. - CFO, VP of Administration*

Yes. As you recall, last year on the Lumen platform we introduced our first internally developed laser. That laser has done well. It didn't turn out to be a high-volume product but it was a multiple units and we were excited to get that out. This last quarter, as Ed mentioned, with the launch of GemStone, it also includes an internally developed (technical difficulty) --

Operator

Ladies and gentlemen, your speakers have reconnected.

Paul Oldham - *Electro Scientific Industries, Inc. - CFO, VP of Administration*

Apparently there was some technical difficulties with the call. We apologize for that. I'm not sure where the call fell off. But Andrew, did we answer your question?

Andrew Masuda - *D.A. Davidson - Analyst*

Yes, you did, yes. Thanks for the color. Appreciate it.

Paul Oldham - *Electro Scientific Industries, Inc. - CFO, VP of Administration*

Okay. We'll take the next question, then, please. And appreciate everybody's patience.

Operator

Jim Ricchiuti.

Jim Ricchiuti - *Needham & Company - Analyst*

You had made a comment earlier, Ed, where you indicated that you feel you are beginning to see some results from the various steps you are taking on the marketing side, and some of the alignments that have made. I wonder if there's a way to elaborate on that, to the extent you can.

Ed Grady - *Electro Scientific Industries, Inc. - President and CEO*

The answer is what we are seeing -- we've got two major campaigns out, Jim, one on the Lumen and Jade platform side and the other one on the via drilling side. One of the ways to monitor this stuff is we look at the number of clicks when we look at a placement. And I think we had somewhere over 250,000 clicks, and those resulted in people clicking through, going from an advertisement, from a promotion to a website to white paper, downloading a white paper. And the success rate was probably -- I think the last numbers I saw were at least twice the normal expected return for click-throughs on activities. We know we have generated, at minimum, at least a single order for a product that we received the order for that basically came in through the marketing efforts. So it's hard to say when we have products like flex and others, to know if those are exact the driven by the new marketing efforts. But what we are seeing is a broader customer base, new activities, new names that are showing up, which is exactly what we are trying to do is get the attention. So be happy to show you and provide some broader data. But it's really interesting statistics that James is collecting on all this. And it shows very good traction.

Jim Ricchiuti - *Needham & Company - Analyst*

Okay. No, that's helpful. And Paul, you gave a little color about how to think about non-GAAP gross margins in the intermediate to longer-term. I wonder, just given the various moving parts, I wonder if you might be able to remind us how we might think about a range for non-GAAP operating margins as we think out, assuming we continue to see the ramp in revenues.

Paul Oldham - *Electro Scientific Industries, Inc. - CFO, VP of Administration*

Yes. So with the reclassification changes, it has the effect of moving somewhere between 200 and 300 basis points between operating expense and margins, depending on the quarter and the level of activity. That's a 1-for-1 swap, so there's no change to operating income or to net income. And the nature of the costs don't change, either. So the same leverage we would expect in our business model would continue on both the gross margin and operating margin line. And we would expect, in general, that we would achieve around 40%, 35% to 45% incremental margin on revenues, again depending on the quarter. I think this last quarter we were a little over 40% leverage. So we feel like we are on track to that goal, even though this quarter we clearly had a few headwinds in margin around mix and some initial ramp costs.

So we continue to think about it in the same way as we have historically. But there is this shift between operating expense and gross margin.

Jim Ricchiuti - *Needham & Company - Analyst*

Okay, thanks very much.

Operator

Ladies and gentlemen, this concludes our Q&A session. And with that, I will turn back to Ed Grady to finish with the call.

Ed Grady - *Electro Scientific Industries, Inc. - President and CEO*

Thank you for joining the call. We are welcome. If you have any questions, please feel free to call Brian or me or Paul. And thanks for attending the call in your questions. We appreciate your time and attention to ESI.

Operator

Ladies and gentlemen, that concludes your conference call for today. You may now disconnect. Thank you for joining and have a very good day. Goodbye.
