PARTICIPANTS

Corporate Participants

Mark J. Namaroff – Director-Strategic Marketing & Investor Relations
James W. Green – President, Chief Executive Officer & Director
Michael L. Levitz – Chief Financial Officer, Treasurer & VP

Other Participants

Stephen E. Levenson – Managing Director, Stifel, Nicolaus & Co., Inc.
Larry Solow – Research Analyst, CJS Securities, Inc.
Michael J. Martin – Analyst, The Small Cap Report

MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon, and welcome to Analogic Corporation's Fourth Quarter and Year End Conference Call for Fiscal 2011. The following corporate officers are present, Mr. Jim Green, President and CEO; Mr. Michael Levitz, Vice President, CFO, and Treasurer; and Mr. John Fry, Vice President, General Counsel, and Corporation Secretary.

I'd like to remind everyone that a supplementary financial presentation will be used during today's call. If you have not already downloaded that presentation, you can do so at any time at investor.analogic.com. That presentation will remain available until October 20, 2011.

Now, I would like to turn the call over to Mark Namaroff, Director of Investor Relations and Corporate Marketing.

Mark J. Namaroff, Director-Strategic Marketing & Investor Relations

Good afternoon, everyone. Welcome to Analogic's fourth quarter and year end conference call for fiscal 2011. I am sure you have downloaded our press release issued earlier today describing our results for our fourth quarter and year-end. If not, you can do so via our website at investor.analogic.com.

Before I turn the call over to Jim Green and Mike Levitz to review our fourth quarter and year-end results, I would like to remind everyone of our Safe Harbor statement. Today's call may include forward-looking statements, such as comments about our plans, expectations and projections. For more information on risks and other factors that could cause our actual results to differ significantly from our forward-looking statements, please refer to our most recent Form 10-K and 10-Q reports on file with the SEC.

And now, I would like to turn the call over to Jim Green, our President and CEO.

James W. Green, President, Chief Executive Officer & Director

Thank you, Mark. Now let's move to slide four of the presentation please. Q4 came in strong with both double-digit revenue growth and double-digit non-GAAP operating margin. Revenue in the quarter came in at $135 million, that's up 18% from Q4 of last year that makes six consecutive quarters of double-digit year-over-year revenue growth. Operating margin on a GAAP basis measured 5%, which included restructuring charges of $3.6 million. Our non-GAAP operating margin came in at 10%. Our GAAP earnings per share measured $0.45 per share including a $0.20 impact from the restructuring and on non-GAAP basis was $0.83 which is up 20% over last year. Our operating cash flows ended strong at $26 million in the quarter.

Move to slide five. As we look at the full year, fiscal year 2011 was a record year for Analogic with all-time record revenues of $474 million. $474 million is up $59 million or 14% from last year. Our gross margin improved to 37% that's up 1 percentage point from last year. Operating margin measured 4% including restructuring charges of $7.1 million. And non-GAAP operating margin improved to 8%, a 1 percentage point increase from last year. Earnings per share in the year measured $1.42 in spite of a $0.39 in structuring charges, which is still up 15% from last year. On a non-GAAP basis, earnings per share came in at $2.35, up $0.63 or 37% from last year. And finally our operating cash flows improved to $32 million in the year.

Slide six, we'll take a look at the business highlights for Q4. We saw medical imaging sales growth across all product lines giving us our third straight quarter of double-digit year-over-year revenue growth. We had strong growth in MRI, CT and mammography on higher demand and new products. We released to production our new 3.0T MRI RF product platform and we signed a new CT development agreement with an emerging Chinese customer to provide an imaging system with a higher level of integration.

For security, shipments were strong in Q4. Revenue rose 3% from last year and nearly doubled from our last sequential quarter. We're happy to announce an improved security backlog having received an L3 50 unit bridge order. And we delivered the first prototype unit Smiths Detection.

Moving onto slide 7, further highlights in the quarter. Ultrasound finished strong, revenue was up 16% from Q4 last year and up 12% from our last sequential quarter. Note that currency worked in our favor in this quarter. We saw double-digit revenue growth in the U.S. driven by new products and our expanded sales force. Now as I mentioned last quarter, one of the final steps in getting our structure aligned in right size, in the fourth quarter we realigned our ultrasound business and streamlined operations. To capitalize on our strength in both scanners and transducers, we've combined our ultrasound systems and Transducer businesses under common leadership and structure. The Denmark operation is focusing on engineering and product design and we're continuing to invest in U.S. sales coverage expansion. We're also streamlining our operations to reduce our operating cost structure leveraging our global business infrastructure. And we essentially completed the ultrasound manufacturing transition to existing U.S. and China operations in Q4.

Moving to slide eight, looking at fiscal 2011 full year accomplishments, we saw record revenues of $474 million representing a 14% annual year-over-year growth. At the same time, we improved profitability over the prior year, this even while continuing to invest in research and development and sales expansion. We introduced some exciting new products and platforms. We launched the Flex 700 surgical ultrasound system, a uniquely targeted surgical unit incorporating touch screen and wireless remote control. We launched a new 64-slice CT DMS product platform and we have launched a new line of MRI 3-tesla RF amplifiers.

With the alignment of our three pillars, along our three pillars of medical imaging, ultrasound, and security, our organization is stronger than ever. We continued our sales force expansion in the U.S., we consolidated ultrasound manufacturing, we acquired the Tetrad ultrasound Transducer business and we sold two non-strategic businesses namely the hotel and a small U.K. motor operation.

Slide nine, I will turn it over to Mike Levitz, our CFO.

Michael L. Levitz, Chief Financial Officer, Treasurer & VP

Thank you, Jim. Good evening everyone. I am going to describe the financial results for the fourth quarter of fiscal 2011 which ended July 31st as compared to the same period last year as well as compared to the third quarter of this year. I will also spend some time describing the results for the full fiscal year 2011. This information begins on the next slide, slide 10 of our online presentation.

In the fourth quarter, as Jim mentioned our sales were very strong with revenues totaling over $135 million, up 18% as compared to the same quarter of last year. The growth in revenues this quarter was driven primarily by the Medical Imaging business which grew 22% from higher sales across our Medical Imaging product line. Also contributing to the year-over-year growth was 16% growth in revenues from our Ultrasound business, that's 7% growth excluding the favorable currency impact in the quarter.

On a sequential quarter basis compared to the third quarter of this year, revenues grew in the fourth quarter by 16% with growth across our segments most notably from our security business, which shipped 23 systems in the quarter and had revenues of $90 million up from $10 million in the third quarter. Our gross margin was 36% in the fourth quarter. This was down 0.4 points less than 1% from the same quarter a year ago due largely to costs associated with the transition of our ultrasound manufacturing from Denmark to our U.S. and China operations as well as the impact of lower margin engineering revenue this quarter.

As Jim mentioned, our transition of ultrasound manufacturing is now substantially complete which we expect to improve gross margins going forward in fiscal '12. Our GAAP operating margin was 5% in the fourth quarter, and that's down three points from the same quarter of last year with a decrease due to the $3.6 million restructuring charge recorded this quarter related to the realignment of our Medical Imaging and Ultrasound segment. The decrease also reflects a lower level of funded R&D this quarter.

On a non-GAAP basis our operating margin in the fourth quarter reached 10%. While this is down slightly from 11% we recorded in the same quarter last year, our results this quarter were a significant improvement over the other quarters of this year and are aligned with our goals of double-digit operating margins.

The strong sales volume in the quarter across our product lines and the favorable mix from our security business were the primary drivers of the double-digit non-GAAP operating margin in the quarter.

Turning to slide 11, and our P&L for the period, the financial performance for the fourth quarter of fiscal 2011 that I just described resulted in net income of $5.6 million or $0.45 per diluted share. These results include a pre-tax restructuring charge of $3.6 million which reduced EPS by $0.20 in the quarter. Our non-GAAP diluted earnings per share reached $0.83 in the fourth quarter. That is up 20% from the fourth quarter of last year and up 54% from the third quarter of this year. The strong results in the quarter reflects strong sales across our business. We saw strong demand in our MRI, CT, and mammography OEM medical imaging businesses, a strong finish in ultrasound and a great quarter in security.

In the fourth quarter as we announced in June, we realigned our ultrasound operations combining our Ultrasound Systems and Transducer businesses under common leadership. In connection with this, we further streamlined our global operations to reduce our operating cost structure and better leverage our global business infrastructure. The impact of this restructure in the fourth quarter was a charge $3.6 million which impacted both our Ultrasound and Medical Imaging segments. We expect this restructuring to save the company over $6 million per year. Our effective tax rate this quarter was 20% reflecting the benefit from reversal of certain tax reserves as well as utilization of loss carry forwards on income generated from our new operation in China.

Turning to slide 12 on our full year results, we recorded record revenues in fiscal 2011 of $474 million, up 14% from last year on growth across our product line. The most significant contribution came from our Medical Imaging business which grew 19% year-over-year on higher customer demand for new and existing products. Our Ultrasound business grew 75 in the year with 10% growth in the United States on further penetration of our Flex Focus ultrasound system on sales by our expanded sales force. Our gross margin improved 1 point to 37% on a higher volume and manufacturing efficiency, even with the negative impact of the cost of consolidating our Denmark and Canton, Massachusetts, manufacturing into our other existing facility.

GAAP operating margins totaled 4% in the year, down from 5% last year, due to restructuring charges in fiscal 2011 totaling $7.1 million associated with the consolidation of our manufacturing operation, the realignment of our Ultrasound business, and the streamlining of our global operations. Also impacting our GAAP operating margins was a higher proportion of self-funded R&D investment, as well as increased accruals for performance-based stock compensation on improved operating results in the period.

On a non-GAAP basis where we exclude items such as restructuring and non-cash stock compensation charges, we improved our operating margins to 8% as we continue our drive towards our fiscal 2012 goal of double-digit non-GAAP operating margins. We are pleased to report a 15% increase in GAAP EPS and a 37% increase in non-GAAP EPS reflecting our growing revenues and focus on cash containment, even with significant investments in R&D and sales force expansion in the period.

On the next few slides, I'll cover our segment results for the quarter. Looking first to slide 13, our Medical Imaging revenues rose 22% in the fourth quarter to $89 million, as sales of CT subsystems, MRI power amplifiers, mammography detectors, and motion control products, all grew by double digits from the fourth quarter of 2010. These results also included over $6 million in revenues following our Q2 acquisition of an OEM Ultrasound Transducer business. The profitability in the medical imaging segment was unfavorably impacted by the $1.5 million restructuring charge in the quarter, which reduced operating margins by 2 points to 4%. We also had a lower level of customer funded R&D in the period as compared to the same period last year.

Turning to slide 14, our ultrasound segment had a fairly strong sales quarter growing 16% to $27 million. Excluding the favorable currency in the quarter the revenues grew 7%. The U.S. contributed over 10% revenue growth as we are seeing the positive impact of our sales force expansion as well as increased demand for our newer products in neurology, surgery, and anesthesia. The operating loss in the quarter reflects the impact of the $2.1 million restructuring charge for this segment in the period which reduced operating margins by 8 points. Also impacting margins in the period where cost associated with manufacturing transition from Denmark to our U.S. and China operation, as well as continued investment in expansion of our sales force. We believe that the combination of our world-class transducer business with our market-leading ultrasound systems business along with the lower cost structure and expanded sales force position us for improving operating margins going forward in this growing segment.

Turning to slide 15 and our security technology business. We had a strong quarter in the security segment with $90 million of revenues and shipments of 23 systems primarily the medium-speed product along with some reduced units. We also as Jim mentioned received a 50 system order from L3 bringing our backlog to 58 medium speed systems, which we expect to ship over the next 12 months to 15 months. The improved volume of medium speed units in the quarter along with profitable engineering development revenues led to an operating margin of 26% improved from our strong fourth quarter of last year and significantly improved from the previous quarters of this year.

Lastly turning to slide 16, we ended the quarter with just under $170 million in cash and investment. The increase in our cash balance reflects the improved sales performance in the quarter along with improved working capital management. Capital spending was higher in the fourth quarter due to the timing of payments related to construction of our Shanghai facility. Even with the increased capital spending and the combination of our cash dividend and stock repurchase activity we still generated positive free cash flows of over $16 million in the quarter.

With that, I will now turn the call back to Jim.

James W. Green, President, Chief Executive Officer & Director

Thank you, Mike. Moving to slide 17, in summary, we had record revenue with double-digit growth from fiscal '10. We improved both gross margin and operating margin despite investments in manufacturing transition, key platform technologies, and channel expansion. We realigned our business to focus on our three pillars of medical imaging, ultrasound, and security, we divested two non-strategic businesses. We acquired a new ultrasound transducer product line and we introduced several new products and made progress on development of critical new platforms.

Slide 18, looking forward, Medical Imaging is solid, with continued demands for CT, MRI and mammography from our large OEM customers. New product releases with added content will continue to improve gross profit. Ultrasound will leverage the new organization and new products. New anesthesia and robotic surgery segments will provide new growth opportunities, planned software releases with even higher level resolution deep imaging will enable new opportunities and we will continue the expansion of our U.S. sales force. Security is positioned for significant long-term growth, bridge orders have established a strong backlog position. This even before the U.S. recapitalization phase begins. We continue to progress on Smiths development which positions us for European adoption of high level – of new higher level explosives detection.

Overall we are pretty bullish expecting continued growth likely in the mid-to-upper-single-digits and we maintain our 10% non-GAAP operating margin outlook for this year.

Thank you and now we will open the lines for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from Steve Levenson from Stifel Nicolaus.

<Q – Stephen Levenson – Stifel, Nicolaus & Co., Inc.>: Thanks, good afternoon everybody.

<A – James Green – Analogic Corp.>: Hi, Steve.

<Q – Stephen Levenson – Stifel, Nicolaus & Co., Inc.>: In your backlog of 58 units are there any XLBs?

<A – Michael Levitz – Analogic Corp.>: Steve, this is Mike, backlog of 58 units is all medium-speed.

<Q – Stephen Levenson – Stifel, Nicolaus & Co., Inc.>: Okay and do you expect the delivery schedule to be similar to the current quarter or is it more spread over the whole year?

<A – Michael Levitz – Analogic Corp.>: As we said on the last call, we knew that this fourth quarter was going to be a higher than normal quarter and so our expectation for this coming year is that it would be spread more evenly.

<Q – Stephen Levenson – Stifel, Nicolaus & Co., Inc.>: Okay, great. Thank you. On the Ultrasound product and I'm certainly no expert on the medical side of this, based on the current generation of products how long do you expect the cycle to last, at what point do you expect to have to introduce upgraded products?

<A – James Green – Analogic Corp.>: Hi Steve, this is Jim. Typically, the Ultrasound products are on I would say – we would see something like a few years so three to four years as far as the cycle time. Now that doesn't mean the entire system comes out in three or four years.

<Q – Stephen Levenson – Stifel, Nicolaus & Co., Inc.>: Right.

<A – James Green – Analogic Corp.>: It means there will be upgrades typically software upgrades or some hardware upgrades along that timeframe. In general though I would tell you that ultrasound tends to have a similar life to most capital equipment, you typically see it's – be out there somewhere in that 7 to 9 or 10-year region for the full piece of gear.

<Q – Stephen Levenson – Stifel, Nicolaus & Co., Inc.>: Perfect, thank you. Last item I think can you project the tax rate for 2012?

<A – Michael Levitz – Analogic Corp.>: Steve, this is Mike.

<Q – Stephen Levenson – Stifel, Nicolaus & Co., Inc.>: We use EBD EBITDA, but just to get things right I want to make sure we're – work on the tax rate?

<A – Michael Levitz – Analogic Corp.>: Right. One of the things that impact us a little bit differently than some companies is the R&D tax credit because of the timing of our fiscal year depending upon whether Congress approves it or doesn't approve it, we can get uneven benefits between years, and this year in fiscal '11, we got a higher benefit than in the previous year. And so depending upon how timely Congress is enacting in that area that would impact our tax rate, I do expect that it will probably be just under 30%, somewhere in the neighborhood of 27% to 29%.

<Q – Stephen Levenson – Stifel, Nicolaus & Co., Inc.>: Got it. Thank you very much.

<A – James Green – Analogic Corp.>: Thanks, Steve.

Operator: Thank you. Our next question comes from Larry Solow from CJS Securities.

<Q – Larry Solow – CJS Securities, Inc.>: Hi guys, good afternoon.

<A – James Green – Analogic Corp.>: Hi, Larry.

<Q – Larry Solow – CJS Securities, Inc.>: The first question I have is if I sort of breakout the segments and exclude the charges and even add back the stock comp, it looks like kind of sequentially quarter-over-quarter you had a pretty good upswing in revenue out of medical side, just looking at the medical side first but I think you went from 107 to 116, but your – actually your profit was the same, so you didn't get any leverage there. Is there anything in there that was impacting that? Why wouldn't you get more leverage there?

<A – James Green – Analogic Corp.>: Yeah, I would tell you that in this last year we did not expect to see a significant operating leverage because so many of the changes we were making in the organization, consolidating manufacturing and such, we expect to see the operating leverage really start to improve as we look to this current year.

<Q – Larry Solow – CJS Securities, Inc.>: Okay.

<A – James Green – Analogic Corp.>: There is also, of course, going to be some level of mix shift...

<Q – Larry Solow – CJS Securities, Inc.>: Right.

<A – James Green – Analogic Corp.>: ...in the product, so that's going to certainly account for part of it. Mike, do you have anything else on that?

<A – Michael Levitz – Analogic Corp.>: Sure, so just a couple of things to add to that, so I think you mentioned the restructuring, so we did have an impact of the restructuring in the period.

<Q – Larry Solow – CJS Securities, Inc.>: Right.

<A – Michael Levitz – Analogic Corp.>: In this quarter I believe $1.5 million was in medical imaging in the fourth quarter.

<Q – Larry Solow – CJS Securities, Inc.>: Right.

<A – Michael Levitz – Analogic Corp.>: The other thing that impacted us in the quarter as I mentioned was the level of self funded research and development versus customer funded.

<Q – Larry Solow – CJS Securities, Inc.>: Right.

<A – Michael Levitz – Analogic Corp.>: So that's something that we have been self funding some of those products that can swing from year-to-year and it depends on the particular project that we're working on and whether we believe it makes sense for us to self fund it or have it be customer funded.

<Q – Larry Solow – CJS Securities, Inc.>: Right, because I think the last couple of quarters that's been more of the self funded, right, I mean do you expect that – is that sort of just – it can happen either way, is there any way to out – to gauge that? I mean, I guess, you are spending money on self funding, so you think it's appropriate so that may impact margins in the near term?

<A – James Green – Analogic Corp.>: Yeah, I would though, Larry, this is Jim, that as we get into next year, we were really heavy on the self funding last year as a number of products reached completion.

<Q – Larry Solow – CJS Securities, Inc.>: Okay, got you.

<A – James Green – Analogic Corp.>: But we – I'd expect to see that to start to come down some and some of that's associated with the restructuring that you saw late in the year.

<Q – Larry Solow – CJS Securities, Inc.>: Okay and then just – and I won't harp on this too much, we could always talk offline. But on the ultrasound business, it was basically breakeven this quarter, I guess, if you add back the charge, but it sounds like you're, obviously, just with the restructuring item you did this quarter then that adds 6 million in cost and I imagine most of that would be in that segment. Your outlook for 2012, I imagine significantly better than this year you basically will breakeven on that whole segment or even excluding the charges. So, I would imagine you think a lot better is going to happen this year?

<A – James Green – Analogic Corp.>: Yeah, certainly when you're coming off a zero...

<Q – Larry Solow – CJS Securities, Inc.>: Right.

<A – James Green – Analogic Corp.>: ...a lot better can be even a small number.

<Q – Larry Solow – CJS Securities, Inc.>: You're right. That's right. Only in that percentages, right.

<A – James Green – Analogic Corp.>: As far as the restructuring goes not all of that is going to be credited and it's going to result in savings on the ultrasound side, but certainly a significant part of it will, but the movement of the manufacturing and such, that will drive improvements in the gross margin and the operating margin and then you also see with the structure you see more efficient sales of the product.

<Q – Larry Solow – CJS Securities, Inc.>: Right.

<A – James Green – Analogic Corp.>: So, by adding, with the sales reps, we've been adding – we expect to see continued growth on the sales side and because it's such a nice gross margin product we expect to see better leverage and better dropdown on the ultrasound side, but keep in mind, we're still investing there. So, adding – we're continuing to add direct sales that does take some time; you do have to pay somewhat in the fronts on that, but it's an area we're investing in, but certainly we'll expect to see quite a bit better in that segment than in the past.

<Q – Larry Solow – CJS Securities, Inc.>: And just a related question, so the gross margin obviously was actually down sequentially in year-over-year even though you had a pretty good – you had a great Security or relatively speaking a very good Security number which is generally higher margins. So, I guess, it just comes back to your what you said about mix and all?

<A – James Green – Analogic Corp.>: Yeah, well, some of it is mix, but then also keep in mind when you have – when you are doing double duty as you merge operating groups...

<Q – Larry Solow – CJS Securities, Inc.>: Right.

<A – James Green – Analogic Corp.>: ...that all gets loaded into your overhead then has an effect that typically you pay for that in your gross margin until that consolidation is complete.

<Q – Larry Solow – CJS Securities, Inc.>: Okay. Right. Got it. So other than restructuring charges, there's actually probably some inefficiencies in that – in those cost of goods or in the cost of manufacturing that or it's just showing up as operating numbers but there is reason to believe that will improve?

<A – James Green – Analogic Corp.>: Yeah, yeah. Exactly.

<A – Michael Levitz – Analogic Corp.>: And Larry just one additional point, in the fourth quarter we had somewhat of an unusual item in that we had a completed contract method engineering project complete...

<Q – Larry Solow – CJS Securities, Inc.>: Okay.

<A – Michael Levitz – Analogic Corp.>: ...and that resulted in just over $3 million of revenue at no margin.

<Q – Larry Solow – CJS Securities, Inc.>: Okay, so that – that's certainly accounts for probably a lot of the difference. Last question and I know, I think Steve already touched about it on the Security side of it. So, I guess, this Bridgewater will probably take you well into at least into the calendar 2012 in terms of keeping your revenues at a pretty good level. What's going on with the transition in the TSA and to a competitive bidding process and are you going to still need Bridgewater's for the foreseeable future or do you think you will actually start seeing some more of true orders or using this competitive bidding process?

<A – James Green – Analogic Corp.>: Well, the way the TSA is doing at least for the U.S. they are already now starting – they are moving out now on the reduced footprint size product, so that we expect to start to see orders coming through there for the SX type of products. So, again, the lower speed, smaller footprint.

<Q – Larry Solow – CJS Securities, Inc.>: Right.

<A – James Green – Analogic Corp.>: The TSA wanted to get through those first, so those I think were at this point they are projecting somewhere in the – as we get little bit maybe later in the fall immediately followed by the mid tier now that's where you start to get to the 3DX level and the units that are consistent with what we have been essentially living on...

<Q – Larry Solow – CJS Securities, Inc.>: Right.

<A – James Green – Analogic Corp.>: ... through bridge order. So that would be as we finish the – as we get into the early part of next calendar year, that's when that's expected to be coming out as far as orders for the U.S.A. And then the last will be the very high speed XLB. So in the meantime high speed XLB we are looking to – for areas outside the U.S. in the short term, but we expect as we get to the end of our fiscal year, we should be through most of that process and start to look at orders for the U.S.A.

<Q – Larry Solow – CJS Securities, Inc.>: Great, excellent. I appreciate it. Thanks a lot.

<A – James Green – Analogic Corp.>: Okay. Thanks, Larry.

Operator: [Operator Instructions] Our next question comes from Michael Martin with Small Cap Report.

<Q – Michael Martin – The Small Cap Report>: Good afternoon, and congratulations.

<A – James Green – Analogic Corp.>: Thanks, Mike.

<Q – Michael Martin – The Small Cap Report>: Couple of questions. Staying on the security issue, the recapitalization, do we have any more definition from the TSA about their plans to replace the ageing machines?

<A – James Green – Analogic Corp.>: Well, they have been pretty public about the need to recapitalize essentially the majority of the installed base in the U.S. a lot of it's been out there for quite a while now. They realize they have to start buying ahead because they are reaching a point where they can't wait for large quantities of systems to start to fail.

<Q – Michael Martin – The Small Cap Report>: Right.

<A – James Green – Analogic Corp.>: So, again, we're – like I told Larry we expect – we believe they are on target for orders for the first smaller footprint unit, for us, the FX style of unit will be coming out here in the fall and then followed by the mid tier and then the high speed after that. The majority of them is installed base is the mid tier that's where we would expect the vast majority of significant growth in the U.S. for the replacement side.

<Q – Michael Martin – The Small Cap Report>: Right, I believe you shipped over 400 systems in 2003, fiscal '03 and which you are getting to the – a point where how they can't, can't delay replacing them which to me suggest that at some point in a not too distant future your level of shipments and securities got to rise dramatically, am I missing something?

<A – James Green – Analogic Corp.>: I think you are right, Mike. If you look at the number of units that are going to have to be replaced, there's going to be a significant number of units that are going to go through replacement. And at the same time as we get at – as we get into that same timeframe we are going to be looking for Europe to have to convert to what they call level three which is equivalent to the U.S. EDS type of standards for check baggage so that will happen roughly we believe in the same kind of timeframe as the replacement cycle really kicks in.

<Q – Michael Martin – The Small Cap Report>: Thanks. Next question, what are you picking up about the macro headwinds here in terms of demand for medical systems?

<A – James Green – Analogic Corp.>: Well, it's – we are hearing the same things that all of our big OEM customers are hearing and we talk with them and again we are also selling directly with our ultrasound business and Europe is in general people are pretty – believing that Europe is going to flat to down as far as outlook. The U.S. seems to have stabilized and is recovering though not – not really fast but if you look at what everybody is saying and the kind of orders reports that we are all seeing the U.S. is certainly on a recovery phase and growing and then when you look outside the U.S. to areas like China and Asia, you see fairly substantial growth and that seems to be across most of the medical product lines.

<Q – Michael Martin – The Small Cap Report>: Correct me if I misread you. Did you say that you expected mid to high single digit revenue growth going forward?

<A – James Green – Analogic Corp.>: That's what we are expecting at this point.

<Q – Michael Martin – The Small Cap Report>: Why the slowdown from double digit rate and the double digit goals?

<A – James Green – Analogic Corp.>: Well, we are just looking at from the market looking at the rollup and the data that we are seeing independently from our customers and looking at the various market positions and the markets expected at this point if you add it all up most people believe that the market is headed for overall growth somewhere around 2% to 3%. We are pretty confident that we will do somewhere around twice that in the medical imaging space and in ultrasound we believe we will do even better; and as you know with security we expect to do well, but it's not until we get RFY13 that we really expect to see a sustained growth path developing.

<Q – Michael Martin – The Small Cap Report>: I got you, thanks so much.

<A – James Green – Analogic Corp.>: All right, thanks, Mike.

Operator: There are no further questions at this time. I'd now like to turn the call back to Mr. Green for closing comments.

James W. Green, President, Chief Executive Officer & Director

Well, thank you everyone. Thank you for your interest in Analogic. I'd like to invite you to our analysts and investors day and if you will join us for our third annual analyst day, it's going to be held here on Wednesday, October 12th, here at our facility in Peabody, MA. I'm sure you've already received an invitation. We look forward to seeing you and hopefully having opportunity for you to learn more about our business. If you can, please contact Mark Namaroff to RSVP and we invite you to call in again in December when the company will review its fiscal first quarter of 2012. Thank you very much and have a good evening.

Operator: For listeners who may have come in late, this call has been recorded. You can access the telephone replay by dialing in at 1-877-919-4059 or for international callers 1-334-323-7226 and entering conference ID 47228672. The telephone replay will be available at that number beginning two hours from now and running through midnight Eastern Time Thursday, October 20, 2011. The webcast replay will be available on the Investors Relations' page of our website at www.analogic.com beginning about three hours from now and will be available through Thursday, October 20, 2011.

Thank you for joining Analogic Corporation's fourth quarter investor conference call. You may now disconnect your line.