PARTICIPANTS

Corporate Participants

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

Other Participants

Larry S. Solow – Analyst, CJS Securities, Inc.
Jan D. Wald – Analyst, The Benchmark Co. LLC

MANAGEMENT DISCUSSION SECTION

Operator: Good afternoon, and welcome to Analogic Corporation's Fourth Quarter and Year-End Conference Call for Fiscal 2013. The following corporate officers are present: Mr. Jim Green, President and CEO; Mr. Michael Levitz, Senior Vice President, CFO and Treasurer; and Mr. John Fry, Senior Vice President, General Counsel.

I'd like to remind everyone that a supplementary presentation will be used during today's call. If you have not already downloaded our presentation, you can do so at this time at investor.analogic.com. That presentation will remain available until October 12, 2013.

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

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

Good afternoon, everyone. Welcome to Analogic's fourth quarter and year-end conference call for fiscal 2013. I'm sure all of 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.

Please note the procedure for asking questions at the conclusion of our prepared remarks. [Operator Instructions] We will repeat these instructions at the end of the presentation.

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 that 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 Securities and Exchange Commission.

Also on today's call, we will be discussing certain financial measures not prepared in accordance with generally accepted accounting principles or GAAP. We believe that using non-GAAP metrics provide investors a more thorough understanding of our business. An explanation and a reconciliation of our non-GAAP financial measures are provided at the end of the presentation materials in our fourth quarter and year-end press release.

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

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

Thanks, Mark. Good afternoon, everybody. Let's start by going through the presentation and we'll start on slide four. I guess I want to start by saying it's been a pretty good quarter and a pretty exciting year, and this quarter we had record revenues and we also had record revenues for the year.

So looking to the quarter, our revenues came in at $166 million. That's up 10% from last year. Our GAAP gross margin improved to 40%. That's up 1 point from last year. Operating margin measured 10% on a GAAP basis, which included a 4 point impact related to the acquisition and restructuring charges.

Non-GAAP operating margin came in at an impressive 17%. That's up 2 points over last year. GAAP earnings per share measured $0.93, down $0.03, but it included a charge of $0.35 again based on the acquisition and restructuring charges that Mike will talk to you about a little bit further in just a few minutes. And our non-GAAP earnings per share measured $1.53 a share. That's up $0.21 or 16% from last year. And lastly, our operating cash flows improved to over $29 million in the quarter.

Let's go to the next slide and take a look at the full year. Our revenues for the year came in at $550 million, and that's up 7% from last year. Our GAAP gross margin for the year improved to 39%. That's up 2 points from last year. Our operating margin measured 8% on a GAAP basis, which included 2 points of impact from the acquisition and restructuring charges. Non-GAAP operating margin came in on plan at 13%, and that's up 1 point from last year.

Our GAAP earnings per share was $2.48. Now that's down $0.94 from last year, but it includes a $0.56 impact from the acquisition of restructuring charges from this year. And also last year, it had a one-time upside of $0.79 a share from a tax refund and a gain on the sale of an investment position held by the company. On non-GAAP view, earnings per share measured $3.88 a share. That's up $0.28 or 8% from last year. And lastly, our operating cash flows for the year improved to over $40 million.

Move to next slide and look at the highlights for the quarter. I'll start with Medical Imaging which was up 11% from Q4 last year. MRI drove solid growth, helped by new generation high performance products gaining traction. CT was down slightly from a strong Q4 last year. And mammography sales were up, also supported by new generation high-end detectors entering production.

Our Ultrasound segment grew 5%, in line with what we communicated in the last quarter's outlook. Direct sales grew 16%, helped by our new Ultrasonix products and our expanded sales channel. However, expanding the number of territories, training new reps on our full portfolio and then training our existing reps on the new products did cause some disruption. So the timing of new growth kicking in took a little longer, but pretty much as we had suggested it would on our last quarter call.

Our previously announced disengagement of a non-strategic OEM product line also impacted our overall Ultrasound revenue. So growth in direct sales and systems along with the reductions of our OEM probes is really accelerating this mix shift to our higher margin direct business. And this transition helps us underpin our sustained overall margin improvement outlook.

Lastly, Security continues to be a bright spot, up 14% from last year's strong Q4. The new developing high speed Threat Detection segment continues to drive growth on overseas demand. We're starting to see signs of U.S. recapitalization, which will drive long-term growth in our mid-speed 3DX product line, as we understand the TSA is in the ordering process. And Smiths

Detection achieved U.S. TSA certification, which will further augment demand for our high-speed segment.

With that, I'll pass it over to Mike Levitz, our CFO. Thanks.

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

Thank you, Jim, and good evening, everyone. As you can see on the quarterly trend charts on page seven of our online presentation, our revenues in the fourth quarter that ended July 31 totaled $166 million, which was up 10% from the same period of last year. These results surpassed our strong fourth quarter of last year and our previous historic high revenue quarter that was 10 years ago.

All of our operating segments grew at or above our expectations during the quarter, with double-digit percentage growth coming from our Security and Medical Imaging segments. I'll walk you through more detailed results by segment shortly.

Please note that as Jim said, as a result of the acquisition of Ultrasonix in March of this year, our operating results include certain costs related to the acquisition recorded under purchase accounting, as well as integration-related expenses. Our non-GAAP results exclude the acquisition-related costs, but they do not exclude the cost of integrating Ultrasonix into Analogic.

As you can see on the chart, our gross margin improved significantly in the fourth quarter as compared to the same period last year. But our non-GAAP gross margin, that is excluding the purchase accounting charges, reached 42%. That's up 2 points from last year, reflecting continued improvement in yield in our mammography product line, product cost improvements, the benefit of our Shanghai manufacturing facility and production efficiency globally on higher revenue.

Our gross margin on a GAAP basis was 40% and included approximately $2.7 million of acquisition related accounting items related to the purchase of Ultrasonix. Our GAAP operating income and related operating margin were in line with the same period last year, reflecting the unfavorable impact of purchase accounting charges related to Ultrasonix, and including a related restructuring charge associated with synergies following the Ultrasonix acquisition, and other operational improvements that we announced on our last quarter conference call in Q3.

On a non-GAAP basis, our operating income rose 20%, as our operating margin improved to 17%, which was up 2 points from the same quarter last year, reflecting the gross margin improvement I just described and overall cost control.

Please turn to slide eight, and we'll look at our P&L for the quarter. As I just described, our revenues and gross margin both increased in the fourth quarter as compared to the same period last year. Our GAAP results in the fourth quarter included a $3 million restructuring charge associated with the restructuring plan we announced last quarter. We continue to expect total additional charges of approximately $1.5 million to be recorded throughout fiscal 2014, as we complete the scheduled restructuring transition.

As Jim mentioned, the inclusion of Ultrasonix results with the purchase accounting charges and the restructuring together reduced GAAP EPS during the fourth quarter by approximately $0.35. Excluding these items and our other non-GAAP items, our results on a non-GAAP basis came down by $0.07 due to the Ultrasonix results as the transition in the sales force delayed our initial growth expectations for the quarter. Our GAAP EPS was $0.93, down $0.03 from last year, but our non-GAAP EPS which excluded the restructuring acquisition charges among other things, rose 16% in the quarter to a $1.53 per share.

Now please turn to slide nine, where we'll talk about our P&L for the full fiscal year. Our revenues for the full fiscal year totaled over $550 million, a 7% increase over the same period of last year. This included $10.1 million from sales of Ultrasonix products, following the March acquisition. Our gross margin on a GAAP basis improved 2 points and included $3.7 million of Ultrasonix purchase accounting related expenses. And our non-GAAP gross margin improved 3 points, driven by the higher volume, along with global manufacturing process and cost improvements, along with favorable product mix.

Our GAAP operating margin for the year was 8% and our non-GAAP operating margin improved one full point to 13%, in line with our stated goal for the year. Our revenue growth and margin improvement together drove operating income growth of 14% on a GAAP basis and 16% on a non-GAAP basis. GAAP EPS in fiscal 2013 was $2.48 and that included the unfavorable impact of the restructuring and Ultrasonix purchase accounting charges I discussed earlier, which together totaled $0.56 of EPS during the year.

And as a reminder, last year's GAAP earnings per share of $3.42 included $0.79 from the favorable impact of the significant tax refund we had in the second quarter of last year, which was reflected in the P&L of $10 million favorability in the provision for income tax line in 2012, along with proceeds from the sale of an equity investment, which was $2.5 million dollars included in the other income line in our P&L last year. Our non-GAAP EPS was $3.88 for the year, again up 8% from $3.60 we reported last year.

Our effective tax rate during 2013 came in as expected at 29%, up from last year due to the favorable impact last year of the tax audit and related refund. For fiscal 2014, we expect our effective tax rate to be between 29% to 31% with the opportunity for additional favorability based on potential discrete items.

Now let's turn to slide 10, where I'll discuss our operating performance by business segment. Our Medical Imaging segment revenue was $90 million in the fourth quarter, up 11% over last year. The increase was driven by higher sales of our MRI products this quarter, in part associated with shipments in the fourth quarter that were delayed from Q3 and improved constant returns.

The revenue growth in the quarter also reflected increased mammography detector sales, which were offset in part by lower CT revenue coming off of a strong comparable quarter in Q4 of last year. In addition to the revenue growth, our operating margin in the Medical Imaging segment increased significantly over the same period last year, reaching 15% on a non-GAAP basis as we continue to see the benefit of cost reduction activities, the production ramp-up of our Shanghai facility and the yield improvement in our mammography product line.

Turning to our Ultrasound segment, revenues were up 5% in the fourth quarter as the addition of $6.7 million in sales of Ultrasonix products offset both lower revenues in our organic direct business, reflecting temporary sales force disruption during channel expansion and lower OEM transducer sales as we continue to move this segment to focus more on the direct sales business.

Our Ultrasound operating margin reached 9% on a non-GAAP basis. That was down 4 points from the same period last year, as the benefit of overall higher revenues was offset due to lower revenues in our OEM transducer operation, ahead of the cost reductions that are going to be coming in next year and the acquisition of the Ultrasonix.

In our Security business, again that was the highlight this quarter. Revenues were up 14% in the quarter, and that's compared against a very strong Q4 of last year. And that's driven by shipments of high-speed threat detection systems, including our systems for L-3, which continues to see increase in demand, an early production shipments at Smiths in support of your XCT high-speed system.

The growth this quarter also reflected increased shipments to L-3 of our medium-speed systems. Our operating margin in this segment was very strong in the fourth quarter, with non-GAAP operating margins about 30%, reflecting the leverage from volume growth in this segment as well as favorable product mix.

Turning to slide 11, I'll briefly discuss our working capital and cash flows during the quarter. Comparisons will be against the third quarter of this year. Our cash and investments balance increased to $130 million, driven by our strong operating results during the quarter. Our accounts receivable increased and our inventories decreased significantly on the strong Q4 sales. We generated operating cash flows of over $29 million during the quarter and free cash flows of roughly $24 million.

In summary, we were pleased with our strong finish in fiscal 2013, driving 10% revenue growth in non-GAAP operating margin of 17% in the fourth quarter. And for the fiscal year, revenue growth of 7% and non-GAAP operating margin improvement of 1 full point to 13%, achieving our stated guidance.

Thank you. And now, I'll turn the call back over to Jim.

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

Thanks to you, Mike. In summary, with multiple targeted markets for our products and continued investment in our unique technologies, we remain confident in our growth and our margin outlook. Our Medical Imaging business though pressured for growth this coming year will likely come in flat and we're going to focus on delivering improved margins and cash flows.

MRI mammography products will be the drivers with new generation, high reliability products entering the market. CT will see headwinds this year with new product launches late in this year positioning for strong growth as we get into fiscal 2015.

Overall, Medical Imaging organic growth is expected to offset our planned exit of legacy OEM components.

Our Ultrasound expansion strategy is on track to deliver strong double-digit growth. The Ultrasonix products expand our guided Ultrasound technology in point-of-care and in emerging markets where we historically have had little penetration. Expanded surgery, urology and point-of-care sales reps are on track to move toward quota. And continued investment in research and development keeps us ahead of the competition and in spaces with high barriers to entry.

Once again our Security Detection segment is expected to deliver strong double-digit growth with excellent margins. International adoption of high-speed in-line automatic threat detection is driving growth in our business. We see signs that TSA is beginning the ordering process, which augments our growth outlook. And early-stage adoption of rapid DNA for DNA-based fingerprinting looks encouraging. So for our fiscal 2014 outlook, we expect to deliver upper single-digit revenue growth and continued operating margin improvement in the range of a half point to a full point over fiscal 2013.

Thank you. And with that, we'll open up the line for questions.

Larry, you want to take questions now?

Unverified Participant

Guy fell asleep.

QUESTION AND ANSWER SECTION

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

<Q – Larry Solow – CJS Securities, Inc.>: Hey, guys. Good afternoon.

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

<Q – Larry Solow – CJS Securities, Inc.>: On the – just a couple of questions. On the Medical Imaging, I guess the CT, sort of a little bit of a slowdown this quarter and looking out into 2014, is that something that's sort of new in terms of development in what you guys are seeing or is just sort of a lag – or it's a temporary delay as you – in between product cycles?

<A – Jim Green – Analogic Corp.>: It's a little bit of both. We've seen a lot of just overall market pressure in that segment with some of the pressures on CFOs and the purchasing customers in the hospitals. We've seen some pressures for them to slow down on some of the purchasing or not to be replacing equipment as fast as they did in the past. But in general, we think this year, again, could be pressured with CT. And in the meantime, we're launching some new products that are coming out late in the year. And so, they won't really show up as revenue in this fiscal year, but they will start driving growth as we look into 2015.

<Q – Larry Solow – CJS Securities, Inc.>: Okay. And do you still sort of view this as a long-term mid-single digit grower for the segment or...?

<A – Jim Green – Analogic Corp.>: We do, we do. It's – when we look at the fundamental drivers of – in the imaging space and we look at capacity and we bounce what's happening as far as procedure growth up against capacity, we see that procedure growth is going to drive through the point where the – of the available capacity as we look out over the next couple of years. So there's certainly going to – we see some impact here or headwinds in this year, but just going forward, overall, it's still a good segment. We think there's going to be a fundamental, in the long run, a good single-digit kind of revenue growth in that – of that market space.

<Q – Larry Solow – CJS Securities, Inc.>: Okay. And the exit of the legacy OEM components, and I know you guys have [ph] done it on (20:10) the Ultrasound, but this piece is sort of a new development too, is that correct?

<A – Jim Green – Analogic Corp.>: It is. There's a couple of things that we knew or expected to start to see getting a little long in the tooth. And as we enter some of these new – as the new products start to enter some of the old ones, I mean there's always an option to try and price down and keep that revenue. But some of this – as it gets to the point where it just doesn't make sense for us to follow it, we'll obsolete some of those and we'll work to replace those technologies typically at the higher end.

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

<A – Jim Green – Analogic Corp.>: What we see coming out of that space is typically our life cycle, you'll see the lower technology, older type things that maybe somebody could get from a contract manufacturer at some point. As that starts to happen, we are always staying ahead at the more premium tier, where we have much better barriers and the opportunity for more pricing strength.

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

<A – Mike Levitz – Analogic Corp.>: And this is Mike. Just to add one point, so one of the things we said from a strategic standpoint is our strategy in this area is to move up the value chain and drive platforms to drive margin improvement. And so even while the revenue is flat, we're expecting the profitability continue to increase nicely in this area because we're doing just what we said we would do in moving up the value chain and driving margin improvement off the platforms.

<Q – Larry Solow – CJS Securities, Inc.>: Right. So it seems like obviously the exiting – you're exiting much lower – or lower margin and hopefully inevitably replacing that with higher margin products?

<A – Mike Levitz – Analogic Corp.>: That's right.

<Q – Larry Solow – CJS Securities, Inc.>: Can you – is there any way to quantify just – is that – or maybe give me a percentage of that – or ballpark, is it a few million dollars...

<A – Jim Green – Analogic Corp.>: Yeah.

<Q – Larry Solow – CJS Securities, Inc.>: ... is it a couple of percentage points on the growth in this segment?

<A – Jim Green – Analogic Corp.>: It's somewhere in the very low number of small percentage points. So I mean, certainly somewhere up to or maybe certainly I would say below 5% in that region, and maybe 1% to 4%, 5% max, but we're replacing that with new business. So it nets out, and in the long run we have a better margin mix in that space.

<Q – Larry Solow – CJS Securities, Inc.>: Got it. Okay, just one more quick question and then I'll let somebody else ask a few. Just on the Ultrasound, and it sounds like there is still a little bit of a – just from the transition and whatnot, it sounds like that, that kind of creeped in – in Q3, its certainly impacted you guys and it sounds like you probably expected to impact during Q4 and as it did. But going forward, do you think you sort of have shaken out of that?

And then, the second part of that question is just on Ultrasonix, maybe the impact there is hurting their sales a little bit, but it looks like their numbers are still sort of below the run rate they were at last year. It looked like it was more like an $8 million, $9 million quarterly run rate. And you did like $6.5 million this quarter. So if you could just give me a little color on that?

<A – Jim Green – Analogic Corp.>: Yeah. That's a good question. When – I guess to answer the first part of your question, the most important thing to do, which we did, was to get the – get all of the territories established and get the people trained, our existing people trained in the new products and get the new people trained, not only in what they're selling, but also in the types of products that we have. So there's going to be – we expected some disruption while that all took place, and you've got transitions in and out and such. All of that is stable I would say. And we're pretty confident about folks coming up and moving toward their quota. So overall, the growth is – we're pretty confident. That's coming along here as we would expect.

As far as looking back to what Ultrasonix was doing prior to being part of a public company, we took a look at where they were in certain spaces that just didn't – that weren't really strategic for us and in certain regions that weren't – that aren't really strategic or – in these days there's certain region of the world where, as a public company, you just – we just – we tend to be pretty conservative about where we're going to do business. We want to make sure we're going to be paid. We want to make sure that we're selling safe and effectively into some – into spaces. And we'll specifically avoid certain geographies. And we'll specifically avoid areas that we think have risks like that.

So coming in where they were, certainly we discounted some of that and decided not to continue with the less strategic, less – non-sustainable parts of that business. But the areas that we were really excited about was the fact that they had put the direct sales force in place in North America, maybe not completely and certainly it needed to go through transitions and some tweaking and fixing and such, but in general, that area, it has really performed nicely just as we would expect it to. The same thing goes for the ability to reach into emerging markets, areas like China, where we really, in the past, had almost negligible direct business there. Now we're starting with something that really is something we can build on with the kind of product and the kind of reach in place, and that's actually doing very well.

So we're pretty happy with that. We're happy with North America. We're happy with what we think will happen in Europe as we leverage our channel. But it is a little bit lower number than what – if somebody were to say what was it before and how much of it do you bring over and sustain going forward. It's a better revenue, but it's a little lower than it was before. So good – great question, though, Larry.

<Q – Larry Solow – CJS Securities, Inc.>: Okay, great. Thanks, thanks, Jim. Appreciate it.

<A – Jim Green – Analogic Corp.>: Thanks.

Operator: Thank you. Ladies and gentlemen, the floor is now open for questions. [Operator Instructions] Our next question will come from Jan Wald with Benchmark.

<Q – Jan Wald – The Benchmark Co. LLC>: Good afternoon, everyone. I guess, I have maybe just a couple of follow-on questions to the ones that already have been asked, but I was wondering what your take on the underlying ultrasound market is and how you're doing in that market. It sounds like Ultrasonix had a pretty good quarter, but what about the other businesses you had? And what are the market conditions like, and how are you doing relative to those?

<A – Jim Green – Analogic Corp.>: Hi, Jan, this is Jim Green. I would say that as we look, the biggest issue or impact that we had is what we would have expected, and that's the transition as folks get put into the new territories as we layer on and then as we take people out of the selling process while they go through their training. The overall underlying market – we're in a fairly specialized piece of the market in that our products, for the most part, are really used for guided procedures.

And as long as the procedure rates keep growing, then we see direct growth in those spaces for us. So it's a little hard for us to say well how are we doing versus the overall what people say is the diagnostic Ultrasound market. I think, overall, if you looked at last year, with the election and with – there's still a lot of just kind of unknowns about what's going on in healthcare reimbursements and such. There is still some hesitancy or there has been.

We're seeing that people seem to be coming back to the table and saying, look, we've got to buy the equipment to do the procedures. So I think the hesitancy piece is kind of behind us. I think going forward, at least what we're seeing is a lot of excitement in the spaces that we're in because we're bringing technology that helps the physicians do the procedure better with better outcomes, and it helps them advance the technology and help them again do a better job.

So our types of technology, we feel, are doing pretty well in that space. But, again, just overall, as long as there's pressure in the U.S. as far as purchasing, there's always going to be that extra hurdle of getting through the CFO's office to make the acquisition.

Now in Asia, we still see very nice solid growth. That's been growing very quickly. There's still capacity constrain there in Asia that any procedure growth – even without procedure growth, there's enough demand there that they just have to buy more equipment to be able to handle the workload.

Europe, overall, we're – I think, overall, we would say that things are stable. We don't really see – and in fact, in our last year, we actually saw Europe starting to recover a little bit. So I think we're pretty confident Europe's on the right kind of swing, but not on a big growth vector, but certainly, moving upward. Asia is moving up quickly. And we're cautiously optimistic that the U.S. is through this kind of wait-and-see mode with the reimbursement piece. So I hope that answers your question.

<Q – Jan Wald – The Benchmark Co. LLC>: It does. Thank you. And I guess, in Medical Imaging, the next-generation subsystems you're selling, I know you're trying to move up the value chain. But could you tell us a little bit about new systems and how you're moving up that chain? And then some sense, what profitability you're going to get from doing that?

<A – Jim Green – Analogic Corp.>: In the MRI side, there, we're not necessarily adding a lot of content. We are, though, looking to bundle more of our RF type technology with the gradients. In those spaces, we stay at the very high end, but we also focus on – really focusing on delivering the lowest cost of ownership type products. So reliability and lifetime is really critical when it comes to MRI. And in that space, we are the best-in-class. There's areas that just there's almost no competition in some of these spaces because we've really set the stage for how to do it and how to use solid-state electronics to do the kind of precision drivers that we do.

So there, with that staying at the leading edge, we're able to get good pricing power with our products and good stickiness with our customers, but that's not a large growth in terms of content. CT is the space where we're growing more content, and that means moving more from subsystems and detection systems to more full scan front ends and moving closer to our security type business, where we will be looking to do, again, a major subsystem, a major scan system or maybe even a private label type system.

So that's where we are expanding that content. Now that – again, as I said earlier, a lot of that technology is just now finishing the development cycle and we see some of these new products coming out late in our fiscal year, and they'll be driving growth as we look into next year. And then the last would be our mammography product line, which there we focus on having the best type of imaging for the mammography units. We stay at the high end. And we're working with our new design products to have – to reduce cost and to also improve yields so our overall margins can continue to move in the right direction.

<Q – Jan Wald – The Benchmark Co. LLC>: Okay. Thank you. And I guess you had a great quarter in Security, but it sounds like the TSA is finally starting to order in Europe and in Asia. It sounds like those are also good numbers, but in some sense are they ahead of what you would consider, are they behind? How are we going to know whether you're doing, or how well you're doing in getting into those markets?

<A – Jim Green – Analogic Corp.>: Yeah. That's a great question. If you've followed us for long, you know that we've – everyone doing business with the TSA has been frustrated with the amount of time it takes to really get the plans in place to deal with recapitalizing what's becoming long in the tooth as far as the age of some of these products. They are – they've made public statements about having authority to purchase. They are – we believe they're working on those purchase orders now. And as you know, a lot of that comes through our partner L-3.

But our understanding is that that's going to be kicking in. That is a replacement market. It is a big driver as far as we're concerned in terms of expected growth going forward. Now the growth market for us, though, in addition is the high-speed market, and that's with the adoption of high-speed in-line that's going into European and outside the U.S. airports, primarily targeting to flights where the plane is going to be flying to the United States. But then in time, that with the new laws states – flights originating and landing in Europe are also going to have to reach that same level of CT level type of detection.

So we see that as two primary component drivers to that growth market. One is the – again, the expansion of the high-speed and then couple that with the replacement of the older install base in the U.S. So we're pretty excited about that coming together. We have been for a while. But if you were to ask are we excited – are we concerned about it, I'd say we're a little frustrated as we've been that maybe it should have been happening earlier than it is now, but certainly better late than never.

<Q – Jan Wald – The Benchmark Co. LLC>: Okay.

<A – Jim Green – Analogic Corp.>: Thank you.

<Q – Jan Wald – The Benchmark Co. LLC>: That's it from me. Thank you very much.

<A – Jim Green – Analogic Corp.>: Thank you.

Operator: Thank you. [Operator Instructions] There are no further questions at this time. I'd now turn the call back over to Mr. Green.

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

All right. Well, thank you, everybody. Before we close, I do want to invite you to our Analyst and Investors, I'd like you to know – I'd like you to come join us for our Annual Investor Day. It's going to be held here in Peabody on Thursday, October 3 at our corporate offices. I'm sure you've already received an invitation, and we look forward to seeing you here to learn more about the business.

Please contact Mark Namaroff, our Director of Investor Relations, the RSVP. We look forward to seeing you. Thanks again for your interest in Analogic. And we also invite you to call in, in December when the company will review its first quarter fiscal 2014 results. Thank you, and good evening.

Operator: Thank you. For listeners who may have come in late, this call has been recorded. You can access the telephone replay by dialing 1-877-919-4059, or for international callers 1-334-323-7226 and entering passcode 28220948. The telephone replay will be available at that number beginning two hours from now and running through midnight Eastern Time Saturday, October 12, 2013.

The webcast replay will be available on the Investor Relations page of our website at www.analogic.com, beginning about three hours from now, and will be available through Saturday, October 12, 2013. Thank you for joining Analogic Corporation's fourth quarter and year-end earnings conference call. You may now disconnect.