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APP Pharmaceuticals Inc. Q1 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from the line of Hank Rauch with Liberty Mutual. Please proceed.

Hank Rauch - Liberty Mutual

Yeah. Thank you. I was wondering, I jumped on the call a little bit late, so if you already talked about this, I apologize. But can you give us a sense of what you expect your capital spending to be this year?

Richard Tajak

Yeah. This is Rich Tajak speaking. In the current forecast is in excess of 50 million.

Hank Rauch - Liberty Mutual

Okay. And based on your 10-K, I think you had spent closer to 80 million in the past couple years?

Patrick Soon-Shiong

Yeah. We've and this is Patrick, yeah, I think in the – a large part of that initiative was in the investment globalization capacity, which I think we have significantly accomplished and also, enhancement of our Grand Island facilities in Puerto Rico.

Hank Rauch - Liberty Mutual

Okay. So you expect to spend more than 50 but less than 85?

Patrick Soon-Shiong

Correct. That's right.

Hank Rauch - Liberty Mutual

Okay. It would be helpful maybe if you could narrow that down for your next call or your next earnings update. The other question I have you have a lot of cash on the books, it looks like you're going to generate a lot of cash flow this year. What are your plans to do with that cash?

Patrick Soon-Shiong

Well, we have some obligations to pay down the debt and we will obviously pay down the debt and we remain in anticipation pay the debt down in advance of our obligations.

Hank Rauch - Liberty Mutual

I mean you have no obligation on the A-loan this year, that doesn't start until 2009 and the B-loan is pretty deminimus.

Patrick Soon-Shiong

Right.

Hank Rauch - Liberty Mutual

Again you've got 60 million cash currently. What's the run rate, do you think you're going to run the business in terms of cash?

Patrick Soon-Shiong

Well, I think from our perspective, we're in good strength. Tom can speak a little bit to it, I think as we evolve, especially with the heparin opportunity and evolve the opportunity to expand our business, maybe into Europe and the rest of the world, I think we need to hold on to some of the cash, so we can expand opportunistically without products offset to Europe. Now they hand – there's no need for us to hold up the cash if indeed we can pay down some of the debt. We'll move forward to do so as well.

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