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Avocent Corporation Q1 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) We'll go first to Mark Kelleher with Canaccord Adams.

Mark Kelleher- Canaccord Adams

Hi Guys. Very nice quarter. A couple of numbers questions. What was the cash flow from operations in the quarter?

Teddy Blankenship

It was about \$5 million, Mark.

Mark Kelleher- Canaccord Adams

Now that seems pretty low, historically. What were you spending cash on?

Teddy Blankenship

Well there are a combination of factors in the first quarter. The first big impact is we had a settlement with the IRS over several prior year tax returns. That was about \$6.5million that we paid in the first quarter, and that was fully accrued, so it had no impact on the income statement, but it did have a cash flow impact as we paid that out during the quarter. Then we had our typical payout of prior year annual bonuses for the general employee group that we pay every first quarter, about the beginning of March, and then from a comparative standpoint we had higher collections receivables in the first quarter of 2007, as you recall we had a lot of past-due receivables at LANDesk coming in to 2007 that we worked diligently to collect over the course of 2007. So the receivables were in good shape coming in to the first quarter of this year so we didn't have so much of an extraordinary impact from collecting additional receivables this time.

Mark Kelleher- Canaccord Adams

Ok, that's very helpful. Well thank you, and on the balance sheet, the Notes Payable moved up. Is that a reflection of the buy-back?

Teddy Blankenship

Yes that's right. We spent about \$64million buying back 4 million shares of stock this quarter and the line of credit went up by \$45million, as part of that \$64million.

Mark Kelleher-Cannacord Adams

So can you remind us what that line of credit is and what your thoughts are on continuing the buy-back?

Teddy Blankenship

Sure. Total lines for \$250million, and it's a five year unsecured revolving line of credit so we traditionally pay down and borrow back on it as we see fit. This year buy-back is still open. We have 2.3 million shares remaining available to repurchase under that program as approved by the board currently. We will consider whether and when to buy back shares as the quarter progresses.

Mark Kelleher-Cannacord Adams

Ok. And then, just comparing the December and the March quarters. I know you were taking some steps to convince your channel partners to perhaps not Stock-Opt in December and maybe do more in March. How much effect did that have on the difficulties you had in December and the ability to beat the March quarter?

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