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L-1 Identity Solutions Q4 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question is coming from Louis Sarkes - Chesapeake Partners.

Louis Sarkes - Chesapeake Partners

Just to clarify, you anticipate \$60 to \$65 million of free cash flow, you said next year, but I'm assuming next year is 2008, correct?

Robert V. LaPenta

'08, that's correct.

Louis Sarkes - Chesapeake Partners

You talked about there are two potential large opportunities out there that could be game-changers. Is it possible that you could see doing both, or is it more likely that's one or the other?

Robert V. LaPenta

Right now, we have a number one and number two target. I'd say if we do one, the probability drops of doing two, but it is possible depending on what the situation is and how things are when we get to that final stage.

Louis Sarkes - Chesapeake Partners

For the \$60 million of free cash flow, what you see as priorities for deployment of that? Is it acquisitions or are there other uses?

Robert V. LaPenta

Well, we are fortunate in that this is not a business that requires a lot of working capital, so we would look to pay down debt or use it to redeploy in acquisitions.

Operator

Your next question is coming from Jeff Kessler - Lehman Brothers.

Jeff Kessler - Lehman Brothers

Could you go into a little more detail on the two contracts that have kind of just crossed the transom, one on Panama and one on the IBT enrollment contract of \$8 to \$10 million?

Robert V. LaPenta

Yes. The Panama was a contract that we actually won early on in the fourth quarter and that's why we had it in our forecast. And it was protested. We won it again and then there was a tremendous amount of political activity. This was a good win for us because it's an election, ABIS-type program. And as you know, deployments and credibility in ABIS are really what we need to do to start being able to address the larger ABIS/AFIS type opportunities.

So we think this is a key win. We won it against a very credible competitor and we are going to be performing on this program over the next three to four months. In fact we probably have about \$1.5 million or \$2 million of sales in this quarter, and we are probably delivering that as we speak. So it's a nice software and gets us a position in that country.

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