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InfoSonics Corporation Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) Your first question comes from the line of Timothy Sehwag [ph], private investor. Please proceed.

Timothy Sehwag

Good afternoon gentlemen. Thank you. Are we going to become an exclusively South American company eventually or what is the business model here? Can you only make money – what is the belief about the future and the business model for making money across the whole western hemisphere?

Jeff Klausner

At this point our focus is on Latin America including Central and South America. There have been changes in the US marketplace related to distribution and the US marketplace is rather large and very difficult and expensive to launch a new brand, our verykool brand in, so at this point we are focusing on areas that we believe have short-term profitability and if you will the low-hanging fruit opportunities for us in both Central and South America.

Timothy Sehwag

But not formally vacating the US market?

Jeff Klausner

At this point we have vacated the US market however, if future opportunities arise, we can look at those to see if they make sense.

Timothy Sehwag

Just a couple of things here and I will get back in queue, you said that you believe margins could increase in future quarters, it sounds like you are optimistic for some margin expansion?

Jeff Klausner

We continue to work towards margin expansion both with our OEM partners as well as with our proprietary brand verykool. Clearly it is the margin expansion that we believe will enable us to return to profitability quicker as well as the reductions that we've made in our operating expenses.

Timothy Sehwaq

Okay. I'll get back in queue and let others ask questions. Thank you.

Jeff Klausner

Thank you.

Operator

Your next question comes from the line of Ray Archibald from Kaufman Bros. Please proceed.

Ray Archibald – Kaufman Bros

Good afternoon guys. I have a handful of questions, one is a housekeeping item related to the exiting of US and Mexico, just curious if there were any costs or charges incurred in shutting down those operations, and then I was just curious, one, if you said that (inaudible) I missed it, what the unit volume of verykool handsets were in the quarter and what percentage of the volume were 3G handsets?

Jeff Klausner

Sure Ray. Your first question in terms of what costs we had in relation to closing the businesses in the US and Mexico, for the three and six months ended it was just north of \$2 million for 2008 related to the discontinued operation. As Joseph talked about, both the US and Mexico had been a very small amount, less than 1% of our sales in the past in the most recent quarters and our decision to exit those businesses was we believe the right decision so that we could help reduce our expenses and maximize our energy and focus in capital on the markets where we have opportunity. Your second question which I believe was related to the unit volume that we did, we did about 685,000 units during the second quarter which brings us to about 1.6 million units for the six months ended June 30, '08 and in terms of verykool, verykool was about 6%, almost 7% of our sales for the six months ended 2008. As Joseph talked about we had one of our suppliers for the verykool product had some delays of product shipment to us in the second quarter so those units are now riding in the third quarter and we hope to move them out then.

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