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Lexmark Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Our first question is coming from Katy Huberty, Morgan Stanley.

Kathryn Huberty - Morgan Stanley

Good morning, thanks. Paul, how broad-based was the supplies inventory increase? Did you see that across regions and products or was it specific to some of the partners?

Paul J. Curlander

Katy, what we saw was on the inkjet side, the major issue was really in Europe so it was kind of geographically isolated. On the laser side, we saw some weak sell-out primarily in the month of August and it really kind of went through all geos. But in both inkjet and laser, we saw the supplies come back to our expectation in the September timeframe.

Kathryn Huberty - Morgan Stanley

And then John, given the expectations for more aggressive pricing in the fourth quarter, why didn't we see a more significant APC LCM charge on the inventory?

John W. Gamble Jr.

In the third quarter?

Kathryn Huberty - Morgan Stanley

In the third quarter.

John W. Gamble Jr.

So again, it's really dependent on the inventory balance that exists at the time, right? And so we take LCM charges on the inventory balance, so that is the only way that you would see a big change in APC LCM in the third quarter.

Kathryn Huberty - Morgan Stanley

Okay, thanks.

Operator

Thank you. Our next question is coming from Shannon Cross, Cross Research.

Shannon Cross - Cross Research

Good morning. A question just on cash and how we should think about cash. You know, you spent -- you bought 7.7 million shares back at \$35. The stock is obviously going to be well below that today. How should we think about your cash balance, how much is domestic versus overseas? I would assume there's still about half that's domestic, given your recent debt raising but just sort of macro, how do you sort of think about managing the cash? Do you want to be as aggressive with share repurchase? Are there other ways to maybe reinvest back into the business? Any commentary you can give, thanks.

John W. Gamble Jr.

I can address specifically where the cash is -- obviously the bulk of the cash does continue to be overseas and that is where our largest cash balance remains. If you take a look at what we've done in the past six months, we did a net borrowing of about \$500 million in the second quarter. We had a \$150 million maturity and did a \$650 million issuance. Since then, we've repurchased over \$400 million worth of stock. I think a little over 12 million shares so if you think about the repurchases versus the borrowing we did, we've already repurchased \$400 million versus the net \$500 million of borrowings that we executed.

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