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UTStarcom Inc. Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instruction) Your first call comes from [Paul Weyner – DLS Capital]

[Paul Weyner – DLS Capital]

You talked a little bit about the Korean hand set division. Is that all cash flow positive?

Peter Blackmore

In China it's cash flow positive. The part in Korea that serves PCD is not cash flow positive.

[Paul Weyner – DLS Capital]

When do you have to make the decision to make that cash flow positive?

Peter Blackmore

We'll be making a decision Korea this quarter. It's not made yet but it is also one of the things we will include on the call later this quarter because we have to make sure that business is positive in 2009.

[Paul Weyner – DLS Capital]

Will you be in a position to tell us how much of an impact that might have?

Peter Blackmore

Yes. We'll absolutely give you the detail on the call.

[Paul Weyner – DLS Capital]

The \$331 million in cash, does that include any of the \$24 million that was held in escrow? Has any of that been released?

Viraj Patel

No, it doesn't include any money in escrow.

[Paul Weyner – DLS Capital]

What are the terms and times for that last \$24 million?

Viraj Patel

I can break that into two pieces. One of them has to do with closing conditions that we're in the process of finalizing with AIG, and the other \$10 million gets removed a year from now after the sale of the business.

[Paul Weyner – DLS Capital]

So is it safe to say that \$14 million we might see by the end of the year?

Viraj Patel

I would say so.

Peter Blackmore

Potentially. It depends on the closing conditions.

[Paul Weyner – DLS Capital]

That \$14 million I assume the minus \$35 million to \$45 million you talked about, that's strictly cash flow from operations? So if you got the \$14 million back that would be slightly better in terms of total cash burn.

Viraj Patel

Yes.

Operator

Your next question comes from Andrew Rosenberg – Footprints Asset Management.

Andrew Rosenberg – Footprints Asset Management

On the \$70 million you recognized in the DS&L contract for the quarter, how much of that flows through into revenues? Is all of that going to come into revenues in the fourth quarter?

Peter Blackmore

That was just a booking. A lot of the equipment is in the process of being delivered in this quarter and next quarter, but the revenue recognition to that is tied to milestones in the contract, so it will come late 2009 to 2010.

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