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Echelon Corp Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). We will take our first question from Carter Shoop with Deutsche Bank.

Carter Shoop - Deutsche Bank

Good afternoon. Wanted to first follow-up in regards to the definition of modest growth in each division. I personally think a modest growth being in kind of the mid to high single digit range on a year-over-year basis. Is that the way you guys think of modest -- or how should investors think about that commentary?

Ken Oshman

We think of modest as modest and we are not -- in this economic world, it's hard to put a number on modest. But I would tell you that we think that our NES business will grow the most rapidly of our parts of our business. And the LonWorks infrastructure business will grow a little more slowly and actually we are projecting, because of what they need, we are projecting a slight contraction in our Enel revenues next year. But we do believe overall, we will have modest growth.

Carter Shoop - Deutsche Bank

That's helpful. And would you expect the LWI business to remain in a similar type of growth rate that you are expecting for the full year of '08?

Ken Oshman

We have in this economic environment, we just -- it's just awfully hard at this moment for us to talk about growth rates, really talk about growth rates and compare them to this year for next year. And I think we'd just like to leave it at that.

Carter Shoop - Deutsche Bank

Fair enough. I'll let another analyst to go after that one.

Ken Oshman

Thank you.

Carter Shoop - Deutsche Bank

When we think about profitability with Echelon here, at what revenue level are you guys hoping to approach profitability?

Ken Oshman

Carter, when I talk about profitability, I talk about it at the operating profit line.

Carter Shoop - Deutsche Bank

Okay.

Chris Stanfield

And I talk as you know on a non-GAAP basis. And I would expect its somewhere between 150 million and \$160 million of total revenue as a company. We should be able to obtain a breakeven on a non-GAAP basis at that line.

Carter Shoop - Deutsche Bank

So for the mid point of December quarter guidance, that's about 148 million, I'm looking for a 6 to 8% non-GAAP loss. Are there current restructuring programs you have in place to help you approach that profitability level?

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