

The logo for Seeking Alpha, with the text 'Seeking Alpha' in white and a Greek letter alpha (α) in orange, all on a dark red background.

Zoran Corporation Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) And your first question comes from the line of James Schneider with Goldman Sachs. You may proceed.

James Schneider – Goldman Sachs

Hi, good afternoon. First question I guess would be on the cash situation. Karl, you know you don't burn cash as you just talked about, and clearly there is very limited visibility in terms of demand, but can you give us some kind of idea about the bounds of the cash burn for 2009 as well as you can see it? And kind of related to that, is there a point at which you would cut OpEx pretty meaningfully in order to achieve a more positive cash position, or at least to burn less?

Karl Schneider

Well, as you said, Jim, the visibility into 2009 right now is a little bit shortsighted. And based on what our current expectations are, we would expect that Q1 would be the low point of the year from a revenue perspective, and as such it should be the low point from a cash burn. If we see anything close to some seasonality going into Q2, Q3 timeframe, we think that we can get back up into the revenue range in the \$85 m million to \$90 million. At that point, I think we are pretty much cash neutral. If things worsen, of course, the company is considering all the alternatives that we might need to take to limit the cash drain throughout the year.

James Schneider – Goldman Sachs

Then I guess just a follow up on that one, I mean is there – I mean clearly you would rather be at some meaningful level of profitability, it might take some time to get there given the weak demand environment, so would you consider a restructuring action proactively before things worsen further?

Karl Schneider

Well, yes, we have already taken steps to contain our costs and make progress towards reducing spending. So we have ideas of things that we would have to do. At this point, we believe that to make significant progress towards cutting costs means we have to decide on what market we're not going to service when this economic downturn start to recover. So we have ideas where we will go, but at this point in time, we think that there will most likely be a recovery starting sometime in the second half of the year, and therefore while we're not increasing our investments substantially, we are continuing to drive forward in the programs that we have got. We have cut costs across the board, in

things where we can without actually restructuring and cutting a huge number of people, but as the economy moves forward, we'll have to re-evaluate.

Copyright © 2008 CNET Networks, Inc. All Rights Reserved.