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Socket Mobile, Inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

{Operator Instructions}. Our first question is from Paul Bornstein with Black Diamond Advisors. Please go ahead with your question.

Paul Bornstein

Yes. Hi guys. I guess you're making a little progress, at least on the cost side. I guess from the last call business has slowed down. And I'm just curious what is your expectation of cash flow break-even given that you have reduced the cost. I'm wondering if you've reduced them enough. And have you guys reduced your salaries enough where there is enough incentive, because with your one-for-ten reverse, the stock really doesn't trade and it really hasn't gone anywhere since the last call a little back. So I'm just kind of wondering, what are the goals for 2009, in terms of financial goals? So far you really haven't hit them. It is not a disaster, but given where you were and you haven't been cash flow positive for a number of years. And so I'm just kind of trying to understand where you think you are kind to be going. I talked to a lot of CEOs, no one can really can predict what the economy is going to do next within six months. I guess there is too many uncertainties. So I'm just wondering if you can cut cost enough to get to the cash flow break-even level?

Kevin Mills

So, you had a number of questions in there Paul.

Paul Bornstein

Yeah.

Kevin Mills

Let me try and answer them and Dave can also assist here. First on our cash flow break-even. We've reduced our number so that the cash flow break-even at 5.5 million. And again Dave can correct me. We were positive cash flow both in Q2 and Q3 of last year. So we had been cash flow positive as we entered Q4. In terms of salary reductions, the amount of salary reductions varies but I would say among the executives there are higher earners. Our average salary reduction is probably in the 30% range per person. And so, that's substantial. Yes, we believe we have reduced our expenses to be inline with our revenue. We are seeing I would say some uncertainty in the market. We are seeing less uncertainty in certain segments, particularly healthcare. And as we pointed out in the call, we had 77% of our revenue, which was the revenue that seems to be the least impacted in Q4 in the

healthcare sector. I think as Dave pointed out can reduce further, but I think we have reduced to the point where further reductions could seriously impact the long-term benefit of the company. And we have not reduced our sales force. And we have not reduced investments in what we view as being core technologies like the SoMo, wireless LAN and data collection. And so right now we're pretty lean. And to give you some perspective, our expenses have been reduced. We believe by about 1.2 to 1.3 million of a base of 3.8 million. So, you are talking about a overall reduction in expense of about 30%. It's aggressive and we feel at these levels, we will be able to get our revenue above our cash break-even point.

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