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CommScope Inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Amitabh Passi with UBS. Your line is open.

Amitabh Passi - UBS

Thank you. Can you guys hear me?

Frank Drendel

Yes sir, we can.

Amitabh Passi - UBS

My first question was when you guys pre-announced your fourth quarter results; I think you had a statement in the press release saying that you have a 2009 business plan that will keep you compliant with your credit facility and financial covenants.

I'm just trying to understand what you have in mind, because just based on the fourth quarter and first quarter '09, EBITDA numbers, it just seems like you have to probably pay down debt by another \$500 million to \$600 million to ensure compliance by the third quarter 2009. So, I'm trying to understand how you're thinking about the '09 business plan.

Jearld Leonhardt

We'll respond to it. I think we outlined a number of things in the materials I covered that talked about why we expect a significantly improved operating performance in periods beyond the first quarter. So those types of things are incorporated largely into our thought process and our plans that we have for the year.

Additionally we will be paying down significant debt here in the first quarter; \$150 million of convertible debt will be reduced as well and it doesn't preclude us from doing additional debt reductions later in the year.

Also our interest, we expect it to be significantly lower in 2009 versus 2008 and partly because of the rates, but in large part because of the reduction in debt that we have had; we've reduced debt more than \$500 million this year. So those are the factors that we incorporated into our planning, relative to our covenant compliance.

Amitabh Passi - UBS

Okay and then just on the first quarter operating income guidance. It just appears lower than I would have expected based on your revenue guidance and I apologize if you touched on this. Is there some other factor that is sort of contributing to the sort of depressed operating margin level? I mean it look like your fourth quarter, you're enterprise, you're broadband, all had pretty decent margins, so I'm just trying to understand if there's some other factor at play there?

Jearld Leonhardt

Well, the cost structure is certainly rolling out a little slower. I think we ended 2008 with a little higher inventory levels than we would have thought and volume is largely the main reason margins are declined or lower than they might expect in the first quarter Amitabh.

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