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Anadigics, Inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) Your first question comes from the line of Edward Snyder.

Mike Alexander – Charter Research

This is Mike Alexander in for Ed Snyder. I wondered if you could talk about what's going on with the China factory. I know you're terminating it. Last call you said you were on the hook for the register cost which I think was around 16.7 million. Is that money still has to be paid out or is this whole account in for with the impairment charge this quarter? Thanks.

Thomas Shields

Yes, regarding the China facility, you are correct. The termination of the contract, the total incurred obligations were 13 million which we have completely written off during the fourth quarter and that's all our remaining obligations.

Mike Alexander – Charter Research

Great, and then what about cash going forward? I know your convertible notes are due in October. Do you anticipate cash flow being negative next quarter or do you think with inventory burn-up you will be able to keep it at breakeven or better?

Thomas Shields

We certainly should see some benefit relative to working capital as result of the declining net sales. We do expect as result of the loss position that we would see decline in our gross cash position by the end of Q1. However, as a company, we are looking at and have looked at several options relative to sustaining a cash balance of not less than 80 million but with a high-end target of anywhere between 90 and 100 million exiting fourth quarter 2009.

Mike Alexander – Charter Research

And is it fair to look at gross margins below 10% for the next quarter?

Thomas Shields

That is correct.

Mike Alexander – Charter Research

Great. Thank you very much.

Operator

Your next question comes from the line of George Iwanyc.

George Iwanyc – Oppenheimer

Thank you for taking my question. With the balance that you see for the rest of this year, how do you anticipate or what type of breakeven level are you trying to work towards and at what gross margin do you anticipate being there?

Mario Rivas

Well, with today's cost structure, our breakeven point on EBITDA basis is 45 million.

George Iwanyc – Oppenheimer

Okay, and –

Gilles Delfassy

It'd be safe to say that it will probably not stay there than we would like to; find ways to reduce it, Mario, right?

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