

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

Molex Incorporated F3Q09 (Qtr End 03/31/09) Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) Your first question comes from the line of William Stein of Credit Suisse. Please proceed.

William Stein – Credit Suisse

Thanks guys. I'm wondering if you can talk about – as it relates to the restructuring plan, what's the thinking on the target revenue level that you're restructuring to get to and what target margin that you're hoping to achieve at that revenue level?

Martin Slark

Thanks for the question. Let me try and tackle the first question in terms of our target revenue levels. I think we believe that the downturn in orders that we have seen over the November, December, January, February level, which is 40% plus, some portion of that is obviously an inventory correction because I don't think anybody believes the electronics market will be down at that level for an extended period of time. And so, certainly when we thought about this we thought about revenues being at a 25% below level which is the level that we have already accomplished with headcount reduction. That combined with the number of sites we closed around the world, we think should significantly reduce our break-even point from when the downturn started. So, that's been the rough thinking. We had already planned as you know to initiate some significant restructuring activity as a result of that global structure and then we've accelerated that based on the economic climate that we have seen. But where the economic climate is going for the rest of this year is hard to tell. So, I think that 25% number is roughly what we targeted. Dave, do you want to answer that.

Dave Johnson

I can just help with the math part of it. How fast we get back to the former revenue rate is anyone's guess but if you run the math on the fault that I talked about we get back to roughly \$800 million quarterly level of revenue get you to the 30% gross margin and 14% operating margin, which had been our targets prior to going into the downturn.

William Stein – Credit Suisse

Great, that's helpful. And just wondering if you have an internal view on timing of when to get back to break-even?

Martin Slark

Yes. I think as we said in our forward guidance, if you look at the run rate we have seen for March and April, we believe that if that were to continue you could see us reach that point at the end of the quarter or early in the first quarter of next year. What we can't tell is what we are seeing today is how much of that is an improvement in the inventory phase and really where end demand is going to go and to what extent the economic stimuluses around the world will continue to drive improvements. I, frankly, talking to our major customers, I'm not seeing a tremendous amount of confidence out their based on the balance of this calendar year. But certainly we have seen an improving trend; it is just a question of whether that continues.

Copyright © 2009 CBS Interactive, Inc. All Rights Reserved.