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Active Power, Inc., Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). And our first question comes from Stuart Bush. Your line is open, sir.

Stuart Bush - RBC Capital Markets

Yeah, hi, guys.

John Penver

Hi, Stuart.

Stuart Bush - RBC Capital Markets

Congratulation on the good quarter.

John Penver

Thank you.

Stuart Bush - RBC Capital Markets

Can you give us some further insight? You had mention that you expect your cash to be sufficient to operate the business for 2009 if your expectations are met. Can you give us some more clarity on what's your annual guidance would need to be for that get through?

John Penver

Stuart, we haven't historically provided annual guidance. I mean I can tell you that we have done a fair amount of sensitivity analysis and outlined multiple scenarios from June to wildly optimistic.

And basically based upon those various outcome, that with the visibility into our sales cycle, we generally have a fairly lengthy visibility. We know what deals we are working on, which gives us, a reasonably good indicator of what we expect the result to be over six to nine-month period.

So that visibility would give us time to adjust or react if we felt that there was going to be some kind of slowdown, or there is going to be certain expansion that we wanted to try in our working capital requirement.

Stuart Bush - RBC Capital Markets

Okay, so when I look at this quarter on the balance sheet, I am trying to connect your statement that you have seen some delays in customer payment, yet your account receivables were down rather significantly in the quarter, and you also worked down your inventories in the quarter. So, can you just help me understand how that matches with your expectation that you will need just \$1 million in burned cash for Q2.

John Penver

Yes, it's true. The decrease in receivables was actually not a significant as the decrease in revenue. So, if all things held equal, you would have expected receivables to have come down more based on fourth quarter results.

And so as result, we are carrying a fair amount of receivables into the current quarter, which will fund our operations for this quarter. And on the inventory side, we have done a much better job in the last six months and having a stronger backlog has helped that being able to plan production better and do it more efficiently, and then we are definitely just carrying that inventory.

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