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Mercury Computer Systems, Inc. F3Q09 (Qtr End 03/31/09) Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. (Operator Instructions). We will take our first question this afternoon from Mark Jordan with Noble Financial.

Mark Jordan - Noble Financial

I'd like to talk a little about the capital structure here and see if I understand your position. You said you ended with \$40.6 million in cash and you have the adjusted rate securities which you'll receive applaud for the middle of next year. Against that, you have the line of credit of 33.4. So in essence, we were looking at your company, it's fair to say you have cash or quasi-net cash of about \$52 million and therefore don't have any immediate financing needs. Is that a proper view?

Bob Hult

That's a very proper view, Mark. We certainly feel that we've got sufficient cash to run the business.

Mark Jordan - Noble Financial

So while you have that shelf in place, there is no need to do anything unless it's on an opportunistic basis?

Mark Aslett

The shelf we feel is just a good tool to have in the corporate finance tool kit and a prudent thing to do, you know, hence the filing.

Mark Jordan - Noble Financial

Stock comp has come down in the third quarter. Obviously the discontinuance has helped that, but you're looking for \$200,000 the fourth quarter. Is there a change in philosophy for the use of stock for compensation and what type of stock comp expense might be reasonable for 2010?

Mark Aslett

I think overall you have seen a decline in the stock compensation expense. We've had a number of senior executives leave the business over the last year as we kind of rebuilt the management team. In addition, as you state, we have divested ourselves four of the non-core businesses at this point that clearly reduce that number also.

I think, you know, what are trying to do or how we using our equity? We believe that from an employee perspective, we're trying to focus that equity to get the best return from an employee perspective. So we are looking to see some changes. From a stock comp expense going forward, I'll hand that over to Bob.

Bob Hult

We have modestly moved our forfeiture rate up here in the third quarter from approximately 9.5% to 10.5%. That's brought the expense down a few hundred thousand dollars. Mark noted that we've had a number of senior executives leave the company this past year. That's had an equal impact on bringing the overall expense down.

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