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Tyco International Ltd. F2Q09 (Qtr End 03/27/09) Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). Our first question comes from Jeff Sprague of Citigroup.

Jeff Sprague - Citigroup

I wonder if we could drill a little bit further into ADT to begin with, not to make too much of a 10 basis point improvement in the attrition rate, but do you actually see something behind that, is there a change in marketing plans or reconnection activity or something that you would point to that's driving that?

Chris Coughlin

Jeff, I wouldn't say I would point to anything. Obviously, we have continued our marketing efforts and we've continued to invest in that business as it's grown. I think the biggest single factor is we've seen a continual reduction in relocations, which again is always the largest portion of the disconnect. So, as the economy has hit the housing market, that has been on the positive side. We have seen a little uptick, as we've seen throughout this period, in slow payments, but essentially, I think that it's the relocations coupled with the strong growth that we have continued on new accounts.

Jeff Sprague - Citigroup

And I think that ARPU number you gave us is the blended fleet average. Can you give us a sense of what ARPU looks like on new accounts coming in?

Chris Coughlin

The new accounts, again, are the real driver for that increase in ARPU, as we've not been increasing recently the price on the base.

Jeff Sprague - Citigroup

And could you give us some sense of the embedded cost savings from the restructuring actions that you expect to achieve in '09 and the carryover impact that you'd have in 2010?

Chris Coughlin

Yes, I think, Jeff, from our restructuring, some of which we initiated last year, where we'll have carryover benefit into this year, and then the additional programs that we are putting into place and

really started in an aggressive way in the second quarter, but obviously, these will take some time. We're in the \$60 million to \$70 million range of savings this year and I would say about \$150 million in 2010.

Jeff Sprague - Citigroup

Then just finally, Ed Breen, just on the capital allocation standpoint, it appears you guys are still in kind of hunker down mode, letting the cash pile up. You addressed spending on R&D and CapEx, but what should we expect to play out over maybe the next six to 12 months?

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