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Capstone Turbine Corporation F4Q09 (Qtr End 4/30/09) Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from the line of Mr. Sanjay Shrestha with Lazard Capital Markets.

Sanjay Shrestha - Lazard Capital Markets

Thank you. Good afternoon, guys -- a couple of quick questions. So kind of sort of tying your comment here about upcoming fiscal year being the year of focus on reducing costs, working capital, cash flow -- so how should we think about the revenue, you know, sort of the top line performance, the robust backlog -- you know, 62 plus 11, if you would. I mean, how should we think about year-on-year growth, or is it really going to be more about sort of cost savings rather than the top line growth year over year?

Darren R. Jamison

Sanjay, great question. Obviously it's a year of both. We have already achieved tremendous top line revenue growth and our backlog really ensures we have revenue growth again this year, so management's focus is to lower our operating expenses despite that growth and improve our efficiencies, which we've done. As I mentioned, we're already seeing those lower costs come through the P&L in the first two months of the year.

But the primary focus is to get the C200 and C1000 costs down to our original targets, if not below, and to move that through our P&L and move toward profitability. As I mentioned, the C200, we're at three units per week this quarter. We'll take that up to four or five per week next quarter and start continuing to burn down that backlog. But it's very important that we take a methodical approach and that we get some hours on those early machines to make sure that we don't have any issues and we're already learning a lot of valuable lessons on the product in cold weather, high humidity, high altitude, a lot of stuff that's very difficult for us to test here at the factory but we get great feedback to our engineering group as we get this product in the field.

So as you mentioned, the backlog of \$60 million does not include service revenue, parts revenue, training. Last year out of our \$44 million, I think \$32 million was product, so you can get an idea of how much more you are going to see in product service and parts revenue.

Sanjay Shrestha - Lazard Capital Markets

Got it. So kind of a follow-on up on that then, Darren -- so when you talk about -- obviously you guys give us a good sense as to how you plan to reduce your OpEx and one thing I was hoping, if you could clarify a bit more for us is you talked about -- I didn't get to write all of it down -- you are talking about pricing going up, both for C200 and C1000 I think by like 14%, and then you are taking costs out by 30% and then sort of break-even cash flow being at 200 units. Can you go through that, sort of the numbers one more time slowly and help us understand as to what type of a revenue number are we talking about to get to that cash flow break-even during the upcoming fiscal year?

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