



UTStarcom Releases Financial Results for the Second Quarter of 2009

ALAMEDA, Calif., Aug 06, 2009 /PRNewswire-FirstCall via COMTEX News Network/ -- UTStarcom, Inc. (Nasdaq: UTSI), today reported financial results for the second quarter ended June 30, 2009.

(Logo: <http://www.newscom.com/cgi-bin/prnh/20051013/SFTH063LOGO>)

"In June we announced a series of corporate initiatives that will significantly streamline the Company while focusing our resources on the products and regions most likely to drive revenue growth," said Peter Blackmore, UTStarcom's chief executive officer and president. "Although the second quarter results were impacted by restructuring and other significant items, we are building momentum towards a better strategic position for 2010."

GAAP Results

Net sales for the second quarter of 2009 were \$80.2 million as compared to \$633 million in the second quarter of 2008. The decline in sales primarily reflects the PCD divestiture and decline in our PAS business. Gross margins for the second quarter of 2009 were negative 20% as compared to 13% in the second quarter of 2008. The operating loss for the second quarter of 2009 and 2008 was \$85.4 million and \$31.1 million, respectively.

The net loss for the second quarter of 2009 was \$84.3 million, or (\$0.66) per share, and includes \$57 million in charges related to restructuring actions and the June 2009 settlement with PCD. The second quarter of 2008 net loss was \$38.8 million, or (\$0.31) per share.

Cash, cash equivalents and short-term investments as of June 30, 2009 was \$276 million compared to \$314 million on December 31, 2008.

The following significant items affected the second quarter 2009 GAAP gross profit and are associated with the Company's Handset business unit:

- An \$11.1 million charge related to the settlement agreement entered into with PCD in June 2009 consisting primarily of product warranty claims.
- \$17.6 million in costs primarily for write-downs of excess inventory in relation to transactions with PCD.
- A \$5.7 million increase in inventory write-downs for handsets in China.

The following significant items affected the second quarter 2009 GAAP operating expenses:

- A \$27.8 million restructuring charge primarily related to restructuring initiatives announced in June 2009.
- A benefit of \$10.5 million related to the cash collection of doubtful accounts.
- A net gain of \$1.4 million related to the sale of PCD assets.

The \$5.4 million in GAAP other income, net consists primarily of foreign currency gains, partially offset by an investment impairment charge.

Pro Forma Non-GAAP Results

To enable a comparison of the financial results for the Company on a year-over-year basis the Company has prepared certain pro forma non-GAAP results which present the Company's results as if both the divestiture of PCD and the wind down of the Company's Korea-based handset operations were completed prior to each time period presented.

The second quarter 2009 pro forma non-GAAP revenue and gross margins were \$83 million and 14%, respectively. This compares to non-GAAP revenue and gross margins of \$184 million and 25% in the second quarter of 2008. The decrease in pro forma non-GAAP revenues and pro forma non-GAAP gross margins primarily reflects the expected volume decline in our PAS business. The second quarter 2009 pro forma non-GAAP operating loss was \$55 million compared to \$49 million a year ago.

Conference Call

The call will take place at 2:00 p.m. (PDT) / 5:00 p.m. (EDT) on August 6, 2009. The conference call dial-in numbers are as follows: United States -- 888-889-1058; International -- 706-634-2327. The conference ID number is 1922-7660.

A replay of the call will be available for 7 days. The conference call replay numbers are as follows: United States -- 800-642-1687; International -- 706-645-9291. The Access Code is 1922-7660.

Investors will also have the opportunity to listen to the conference call and the replay over the Internet through the investor relations section of UTStarcom's Web site at: <http://www.utstar.com>.

To listen to the live call, please go to the Web site at least 15 minutes early to register, and to download and install any necessary audio software. For those who cannot listen to the live broadcast, a replay will also be available on this site.

Discussion of Pro Forma Non-GAAP Financial Measures

On July 1, 2008, the Company divested its Personal Communications Division ("PCD") which has historically represented a significant portion of the Company's revenues. On December 18, 2008, the Company announced actions to wind down its Korea-based handset manufacturing operations. To enable a comparison of the financial results for the Company on a year-over-year basis the Company has prepared certain pro forma non-GAAP results which present the Company's results as if both the divestiture of PCD and the wind down of the Company's Korea-based handset operations were completed prior to each time period presented. The reconciliation between GAAP and these pro forma non-GAAP financial measures is provided at the end of this press release and on the Company's website.

In order to provide both management and investors with a more complete understanding of UTStarcom's underlying results and trends in light of the PCD divestiture and wind down of its Korea-based handset manufacturing operations, UTStarcom has prepared reconciliation tables for comparing GAAP results to non-GAAP measures of revenues, gross profits, operating expenses and operating profit (loss), along with an abbreviated, pro forma non-GAAP profit and loss statement based on these non-GAAP measures. The pro forma non-GAAP measures present the Company's results as if both the July 2008 divestiture of the Company's Personal Communications Division and the wind down of the Company's Korea-based handset operations were completed prior to each time period presented.

In addition, these pro forma non-GAAP measures are among the information management uses as a basis for our planning and forecasting of future periods. The presentation of this additional information is not meant to be considered in isolation or as a substitute for results prepared in accordance with generally accepted accounting principles in the United States.

About UTStarcom, Inc.

UTStarcom is a global leader in IP-based, end-to-end networking solutions and international service and support. The Company sells its solutions to operators in both emerging and established telecommunications markets around the world. UTStarcom enables its customers to rapidly deploy revenue-generating access services using their existing infrastructure, while providing a migration path to cost-efficient, end-to-end IP networks. The Company was founded in 1991 and is headquartered in Alameda, California. For more information about UTStarcom, visit the Company's Web site at <http://www.utstar.com>.

Forward-Looking Statements

This release includes forward-looking statements relating to, among other things, the Company's plan to reduce operating expenses, future expected financial results, anticipated liquidity and business model. Forward-looking statements are generally indicated by such words as "will," "expects," "estimates," "goals," "plans" or similar words. These statements are forward-looking in nature and subject to risks and uncertainties that may cause actual results to differ materially. These risks include the ability of the Company effectively institute operational improvements, increase sales and bookings and competitive pressures as well as risk factors identified in its latest Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as filed with the Securities and Exchange Commission. All forward-looking statements included in this release are based upon information available to the Company as of the date of this release, which may change, and we assume no obligation to update any such forward-looking statement.

UTStarcom, Inc.
Condensed Consolidated Balance Sheets
(in thousands)
(Unaudited)

	June 30, 2009	December 31, 2008
ASSETS		
Current assets:		
Cash, cash equivalents and short-term investments	\$276,044	\$313,865
Accounts and notes receivable, net	67,092	169,496
Inventories (1)	187,600	189,832
Deferred costs	102,895	114,884
Prepays and other current assets	91,556	144,515
	-----	-----
Total current assets	725,187	932,592
Long-term assets:		
Property, plant and equipment, net	169,264	175,287
Long-term deferred costs	135,540	149,258
Other long-term assets	50,213	53,669
	-----	-----
Total assets	\$1,080,204	\$1,310,806
	=====	=====
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$58,096	\$176,384
Customer advances	179,901	144,700
Deferred revenue	110,200	117,584
Other current liabilities	203,440	181,852
	-----	-----
Total current liabilities	551,637	620,520
Long-term liabilities:		
Long-term deferred revenue and other liabilities	204,638	222,644
	-----	-----
Total liabilities	756,275	843,164
Noncontrolling interests	791	808
Total stockholders' equity	323,138	466,834
	-----	-----
Total liabilities and equity	\$1,080,204	\$1,310,806
	=====	=====

(1) Includes finished goods at customer sites of approximately \$149.2 million and \$138.0 million at June 30, 2009 and December 31, 2008, respectively, for which the customer has taken possession, but based on specific contractual terms, title has not yet passed to the customer.

UTStarcom, Inc.
Condensed Consolidated Statements of Operations
(in thousands, except per share amounts)
(Unaudited)

Three months ended June 30,		Six months ended June 30,	
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2009	2008	2009	2008
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Net sales	\$80,163	\$632,756	\$199,503	\$1,218,745
Cost of net sales	96,001	550,808	193,689	1,044,718
	-----	-----	-----	-----
Gross (loss) profit	(15,838)	81,948	5,814	174,027
	-----	-----	-----	-----
Operating expenses:				
Selling, general and administrative	26,971	72,010	81,151	151,754
Research and development	16,229	39,286	37,737	80,686
Amortization of intangible assets	-	1,730	-	3,554
Restructuring	27,757	-	32,576	-
Gain on divestiture	(1,357)	-	(1,357)	-
	-----	---	-----	---
Total operating expenses	69,600	113,026	150,107	235,994
	-----	-----	-----	-----
Operating loss	(85,438)	(31,078)	(144,293)	(61,967)
	-----	-----	-----	-----
Interest income (expense), net	369	(2,167)	828	(5,421)
Other (expense) income	5,429	(920)	(1,785)	53,050
	-----	---	-----	-----
Loss before income taxes	(79,640)	(34,165)	(145,250)	(14,338)
Income taxes (expense) benefit	(4,659)	(4,625)	(6,483)	395
	-----	-----	-----	---
Net loss	(84,299)	(38,790)	(151,733)	(13,943)
Net loss attributable to noncontrolling interest	16	10	17	520
	---	---	---	---
Net loss attributable to UTStarcom, Inc.	\$(84,283)	\$(38,780)	\$(151,716)	\$(13,423)
	=====	=====	=====	=====
Net loss per share attributable to UTStarcom, Inc. -Basic and Diluted	\$(0.66)	\$(0.31)	\$(1.20)	\$(0.11)
Weighted average shares used in per share calculation:				
- Basic	127,160	123,119	126,450	122,608
	=====	=====	=====	=====
- Diluted	127,160	123,119	126,450	122,608
	=====	=====	=====	=====

UTStarcom, Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(Unaudited)

Six months ended
June 30,

2009 2008

(In thousands)

CASH FLOWS FROM OPERATING ACTIVITIES:

Net loss	\$(151,733)	\$(13,943)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	6,918	19,904
Gain on divestiture, sale of investments and liquidation of ownership interest in a variable interest entity	(1,357)	(48,375)
Other-than-temporary impairment of equity investment	3,798	-
Stock-based compensation expense	6,427	9,844
(Recovery of) provision for doubtful accounts	(2,129)	2,722
(Recovery of) provision for deferred costs	(579)	9,089
Deferred income taxes	1,752	(11,541)
Other	(503)	2,620
Changes in operating assets and liabilities:		
Accounts receivable	96,273	65,081
Inventories and deferred costs	30,603	(26,766)
Other assets	61,086	(5,513)
Accounts payable	(119,405)	114,940
Income taxes payable	2,182	3,800
Customer advances	33,606	(16,503)
Deferred revenue	(21,133)	(7,025)
Other liabilities	17,058	(39,986)
	-----	-----
Net cash (used in) provided by operating activities	(37,136)	58,348
	-----	-----

CASH FLOWS FROM INVESTING ACTIVITIES:

Additions to property, plant and equipment	(1,337)	(10,271)
Proceeds from the disposition of (purchase of) an investment interest	-	(2,244)
Proceeds from repayment of loan by a variable interest entity	-	7,728
Change in restricted cash	1,404	(6,506)
Purchase of short-term investments	(5,613)	(8,567)
Proceeds from sale of short-term investments	6,421	66,580
Other	392	143
	---	---
Net cash provided by investing activities	1,267	46,863
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CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from borrowings	-	50,000
Payments on borrowings	-	(346,017)
Other	(389)	(3,637)
	---	-----
Net cash used in financing activities	(389)	(299,654)
Effect of exchange rate changes on cash and cash equivalents	(749)	10,895
	---	-----
Net decrease in cash and cash equivalents	(37,007)	(183,548)
Cash and cash equivalents at beginning of period	309,603	437,449
	-----	-----
Cash and cash equivalents at end of period	\$272,596	\$253,901
	=====	=====

Supplemental disclosure of cash flow information:

 Non-cash operating activity:

Accounts receivable transferred to notes receivable	\$1,932	\$9,278
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UTSTARCOM, INC.
 August 6, 2009 Conference Call

RECONCILIATION OF GAAP REVENUE TO PRO FORMA NON-GAAP REVENUE
 (\$ in millions)
 (Unaudited)

To supplement our condensed consolidated financial statements presented on a GAAP basis, UTStarcom uses certain pro forma non-GAAP measures which are adjusted to present those metrics as if both PCD had been divested and the Korea handsets business had been wound down prior to each time period reflected below. We believe this enables year over year comparisons to our recent financial results. These adjustments to our GAAP results are made with the intent of providing both management and investors a more complete understanding of UTStarcom's underlying results and trends. In addition, these adjusted pro forma non-GAAP results are among the information management uses as a basis for our planning and forecasting of future periods. The presentation of this additional information is not meant to be considered in isolation or as a substitute for results prepared in accordance with generally accepted accounting principles in the United States.

	Qtr ended 31-Mar-08	Qtr ended 30-Jun-08	Qtr ended 30-Sep-08	Qtr ended 31-Dec-08	Year ended 31-Dec-08	Qtr ended 31-Mar-09	Qtr ended 30-Jun-09
GAAP							
Revenue							
(a)	\$586	\$633	\$181	\$241	\$1,641	\$119	\$80
Less:							
PCD							
Segment							
Revenue							
(b)	431	449	-	-	880	-	-
Less:							
Korea							
Handset							
Sales to							
PCD							
(c)	-	-	35	92	127	39	(3)
Non-GAAP							
Revenue	\$155	\$184	\$146	\$149	\$634	\$80	\$83
	====	====	====	====	====	===	===

 (a) GAAP Revenue for each period is the consolidated revenue as reported on Form 10-Q or Form 10-K, as applicable, for such period, except for the consolidated revenue for the quarter ended December 31, 2008, which is derived from the revenue reported in the Form 10-Qs and Form 10-K with respect to fiscal year 2008.

(b) Effective July 1, 2008 the PCD segment was divested by the Company.

(c) Prior to the July 1, 2008 divestiture of PCD, Korea handset did not record revenue for units shipped to PCD as this activity was an intercompany transfer. After July 1, 2008 this activity was recorded as a third party sale in the Handset segment.

UTSTARCOM, INC.
August 6, 2009 Conference Call

RECONCILIATION OF GAAP GROSS PROFIT TO PRO FORMA NON-GAAP GROSS PROFIT
(\$ in millions)
(Unaudited)

	Qtr ended 31-Mar-08	Qtr ended 30-Jun-08	Qtr ended 30-Sep-08	Qtr ended 31-Dec-08	Year ended 31-Dec-08	Qtr ended 31-Mar-09	Qtr ended 30-Jun-09
GAAP							
Gross Profit							
(a)	\$92	\$82	\$57	\$30	\$261	\$22	(\$16)
GAAP Gross Margin %	16%	13%	31%	12%	16%	18%	(20%)
Less: PCD Segment Gross Profit							
(b)	33	36	-	-	69	-	-
Less: Korea Handset Gross Profit from Sales to PCD							
(c)	2	0	6	(4)	4	3	(28)
Non-GAAP Gross Profit	\$57	\$46	\$51	\$34	\$188	\$19	\$12
Non-GAAP Gross Margin %	37%	25%	35%	23%	30%	24%	14%

(a) GAAP Gross Profit and GAAP Gross Margin % for each period is the consolidated gross profit and gross margin % as reported on Form 10-Q or Form 10-K, as applicable, for such period, except for the consolidated gross profit and gross margin % for the quarter ended December 31, 2008, which is derived from the gross profit and gross margin % reported in the Form 10-Qs and Form 10-K with respect to fiscal year 2008.

(b) Effective July 1, 2008 the PCD segment was divested by the Company.

(c) Prior to the July 1, 2008 divestiture of PCD, Korea handset earned a gross profit on the intercompany transfer of inventory to PCD. This gross profit was recorded in the Handset segment. After July 1, 2008 this activity was recorded as a third party transaction.

UTSTARCOM, INC.
August 6, 2009 Conference Call

RECONCILIATION OF GAAP OPERATING EXPENSE TO PRO FORMA NON-GAAP
OPERATING EXPENSE
(\$ in millions)
(Unaudited)

To supplement our condensed consolidated financial statements presented on a GAAP basis, UTStarcom uses certain pro forma non-GAAP measures which are adjusted to present those metrics as if both PCD had been divested and the Korea handsets business had been wound down prior to each time period reflected below. We believe this enables year over year comparisons to our recent financial results. These adjustments to our GAAP results are made with the intent of providing both management and investors a more complete understanding of UTStarcom's underlying results and trends. In addition, these adjusted pro forma non-GAAP results are among the information management uses as a basis for our planning and forecasting of future periods. The presentation of this additional information is not meant to be considered in isolation or as a substitute for results prepared in accordance with generally accepted accounting principles in the United States.

	Qtr ended 31-Mar-08	Qtr ended 30-Jun-08	Qtr ended 30-Sep-08	Qtr ended 31-Dec-08	Year ended 31-Dec-08	Qtr ended 31-Mar-09	Qtr ended 30-Jun-09
	-----	-----	-----	-----	-----	-----	-----
GAAP							
Operating							
Expense							
(a)	\$123	\$113	\$92	\$109	\$437	\$81	\$70
Less:							
PCD							
Operating							
Expense							
(b)	8	7	-	-	15	-	-
Less:							
Korea							
Handset							
Operating							
Expense							
(c)	9	10	10	5	34	3	2
	----	---	---	----	----	---	---
Non-GAAP							
Operating							
Expense	\$106	\$96	\$82	\$104	\$388	\$78	\$68
	====	===	===	====	====	===	===

(a) GAAP Operating Expense for each period is the consolidated operating expense as reported on Form 10-Q or Form 10-K, as applicable, for such period, except for the consolidated operating expense for the quarter ended December 31, 2008, which is derived from the operating expenses reported in the Form 10-Qs and Form 10-K with respect to the fiscal year 2008.

(b) Effective July 1, 2008 the PCD segment was divested by the Company.

(c) Both prior to and after the July 1, 2008 divestiture of PCD, all direct operating expense relating to Korea handset has been recorded in the Handset segment.

UTSTARCOM, INC.
August 6, 2009 Conference Call

RECONCILIATION OF GAAP OPERATING LOSS TO PRO FORMA NON-GAAP
OPERATING LOSS
(\$ in millions)
(Unaudited)

To supplement our condensed consolidated financial statements presented on a GAAP basis, UTStarcom uses certain pro forma non-GAAP measures which are adjusted to present those metrics as if both PCD had been divested and the Korea handsets business had been wound down prior to each time period reflected below. We believe this enables year over year comparisons to our recent financial results. These adjustments to our GAAP results are made with the intent of providing both management and investors a more complete understanding of UTStarcom's underlying results and trends. In addition, these adjusted pro forma non-GAAP results are among the information management uses as a basis for our planning and forecasting of future periods. The presentation of this additional information is not meant to be considered in isolation or as a substitute for results prepared in accordance with generally accepted accounting principles in the United States.

	Qtr ended 31-Mar-08	Qtr ended 30-Jun-08	Qtr ended 30-Sep-08	Qtr ended 31-Dec-08	Year ended 31-Dec-08	Qtr ended 31-Mar-09	Qtr ended 30-Jun-09
	-----	-----	-----	-----	-----	-----	-----
GAAP							
Operating Loss							
(a)	(\$31)	(\$31)	(\$35)	(\$79)	(\$176)	(\$59)	(\$85)
Less:							
PCD							
Operating Profit							
(b)	25	28	-	-	53	-	-
Less:							
Korea Handset							
Operating Loss							
(c)	(7)	(10)	(4)	(9)	(30)	-	(30)
	----	----	----	----	----	----	----
Non-GAAP							
Operating Loss							
	(\$49)	(\$49)	(\$31)	(\$70)	(\$199)	(\$59)	(\$55)
	====	====	====	====	====	====	====

(a) GAAP Operating Loss for each period is the consolidated operating loss as reported on Form 10-Q or Form 10-K, as applicable, for such period, except for the consolidated operating loss for the quarter ended

December 31, 2008, which is derived from the operating loss reported in the Form 10-Qs and Form 10-K with respect to fiscal year 2008.

(b) Effective July 1, 2008 the PCD segment was divested by the Company.

(c) Both prior to and after the July 1, 2008 divestiture of PCD, the operating loss relating to Korea handset has been recorded in the Handset segment.

UTSTARCOM, INC.
August 6, 2009 Conference Call

ABBREVIATED PRO FORMA NON-GAAP P&L STATEMENT (a)
(\$ in millions)
(Unaudited)

To supplement our condensed consolidated financial statements presented on a GAAP basis, UTStarcom uses certain pro forma non-GAAP measures which are adjusted to present those metrics as if both PCD had been divested and the Korea handsets business had been wound down prior to each time period reflected below. We believe this enables year over year comparisons to our recent financial results. These adjustments to our GAAP results are made with the intent of providing both management and investors a more complete understanding of UTStarcom's underlying results and trends. In addition, these adjusted pro forma non-GAAP results are among the information management uses as a basis for our planning and forecasting of future periods. The presentation of this additional information is not meant to be considered in isolation or as a substitute for results prepared in accordance with generally accepted accounting principles in the United States.

	Qtr ended 31-Mar-08	Qtr ended 30-Jun-08	Qtr ended 30-Sep-08	Qtr ended 31-Dec-08	Year ended 31-Dec-08	Qtr ended 31-Mar-09	Qtr ended 30-Jun-09
Non-GAAP Revenue	\$155	\$184	\$146	\$149	\$634	\$80	\$83
Non-GAAP Gross Profit	57	46	51	34	188	19	12
Non-GAAP Gross Margin %	37%	25%	35%	23%	30%	24%	14%
Non-GAAP Operating Expense	106	96	82	104	388	78	68
Non-GAAP Operating Loss	(\$49)	(\$49)	(\$31)	(\$70)	(\$199)	(\$59)	(\$55)

(a) Please refer to the preceding reconciliation tables for the adjustments to GAAP Revenue, Gross Profit, Operating Expense and Operating

Loss .

SOURCE UTStarcom, Inc.

<http://www.utstar.com>

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