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CORPORATE PARTICIPANTS

Scott Robinson *Imation Corp. - VP, IR*

Mark Lucas *Imation Corp. - CEO*

Paul Zeller *Imation Corp. - CFO*

CONFERENCE CALL PARTICIPANTS

Mark Miller *Noble Financial Group - Analyst*

Chris McGinnis *Sidoti & Company - Analyst*

Eric Martinuzzi *Lake Street Capital Markets - Analyst*

PRESENTATION

Operator

Good morning, my name is Laurel and I will be your conference operator today. At this time I would like to welcome everyone to the Imation Corporation Q4 earnings release conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks there will be a question and answer session.

(Operator Instructions)

Scott Robinson, Vice President, Investor Relations, you may begin your conference.

Scott Robinson - *Imation Corp. - VP, IR*

Thanks, Laurel. Good morning, everyone, and thank you for joining our fourth quarter 2012 earnings call. I am your host for today's call. We'll be hearing from our CEO, Mark Lucas; and our CFO, Paul Zeller. On today's call we will review our fourth quarter results and provide updates about our strategic transformation.

Before that, though, I would like to remind everyone that certain information discussed on the call that does not relate to historical information may be deemed to constitute forward-looking statements within the meaning of the Private Securities Litigation Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from any projected results. Risk factors that could cause the results to differ are outlined in the press release issued today, as well as our filings with the SEC. With that, I'd like to turn the call over to Mark Lucas, Imation's CEO.

Mark Lucas - *Imation Corp. - CEO*

Thank you, Scott, and good morning, everyone. On today's call Paul Zeller and I will describe the many steps we took during the fourth quarter to accelerate Imation's strategic transformation. We have been very busy and are pleased to have this opportunity to provide an update to you. We have said in previous calls that we are leveraging Imation's roots in data storage to become a major player in data security and data storage. Our plan remains to build a platform for long-term growth and improved operating earnings. Our recent moves reflect this focus. And we are on the right track. Let me state at the outset that there are many moving parts in our transformation. As we narrow our focus and make changes to our global operations and product portfolio, we truly are creating a new Company.

Turning to the 2012 fourth quarter, our revenues were not where we want them to be. We have said before that our traditional storage business is in secular decline. We saw this throughout the year and we saw it in the fourth quarter where total revenues decreased over 12% from the previous year. This is why we are acting urgently to reduce our cost structure and evolve Imation into a Company focused on high-growth markets and data storage and security. Paul will give you a detailed rundown of our financials, but let me share my perspective with you regarding improved margins and profitability. There are three indicators I'd like to reference.

First, our goal is to reach over 20% gross margin level as a Company. We saw improvement in the full year 2012, where gross margins reached 18.4% versus 16.8% a year ago. Second, Imation's opportunity for higher margin differentiated product lies in our secure and scalable storage portfolio. In 2012 gross margins for these products were 18.8%, up from 15.1% in 2011. And lastly, we are not introducing any new products that don't meet the 20% margin threshold. So, again, we are not where we need to be yet, but we are definitely moving towards our goal.

Let me turn to our recent acquisition of Nexsan. One very important step that will help us on the gross margin and revenue side is this recent acquisition. This is a growing and successful company that provides storage systems to 11,000 customers worldwide. Nexsan 's management team has built this business from startup to more than $80 million in revenue, with strong gross margins. The Nexsan product suite now becomes the center of our Tiered Storage business. Nexsan products address the need for better performance and affordability for a variety of data storage applications.

And at the end of January, less than a month after we closed the deal, we announced the first post-acquisition Nexsan product release, a system that delivers enterprise class storage capabilities to SMB's. We are very excited about Nexsan and it fits perfectly with our approach. The Imation strategy includes addressing the underserved SMB market with storage systems and appliances. This is a sector that Nexsan knows well. And we expect this acquisition to contribute considerably to growth in both the small and medium-size business market and a distributed enterprise storage or SME markets.

I'll move on to talk about transformation. We are making dramatic changes in this Company. And as part of this we are aggressively implementing cost savings initiatives to rightsize the organization. We are looking at every part of our organization in order to reduce operating expenses more than 25% overtime. How? Well, there are a number of ways we're doing is -- through worldwide process improvements; through office consolidations in Latin America and Europe; through product line rationalization; infrastructure efficiencies; and also staff reductions of approximately 20% in the first half of this year.

Because of our concentration on data storage and data security, we announced in the third quarter that we're exploring strategic alternatives for our consumer electronics business. As noted in this morning's press release, we have decided to divest our Memorex and XtremeMac consumer electronic businesses. We are continuing with our TDK Life on Record business, but on a more focused basis. These changes allow us to do fewer things better. We can direct our resources, our time and efforts into growing our core businesses of data security and storage.

Also bolstering our transformation is Imation's new business unit structure. This became effective on January 1. We have aligned the Company with our key commercial and retail segments. We now have two business units. The first is TSS or Tiered Storage and Security Solutions. The second is CSA or Consumer Storage and Accessories. These two independently managed segments offer a number of benefits, most noticeably -- notably they provide a more customer centric structure leading to faster decision-making and greater accountability.

Going forward, we will continue to reduce costs, implement efficiencies and enhance Imation's data storage and security portfolio to successfully complete our strategic transformation. This transformation is wide ranging and dramatic and we are doing it amid ongoing macroeconomic uncertainty. We are 100% committed to returning to growth long-term and we are confident this is the right way to do it. We are making progress and look forward to further progress throughout 2013, as we continue on this important journey.

Before I turn the call over to Paul, I have one more point to note. We continually evaluate all of our corporate protocols and systems, including our governance practices as a public Company. As well as reaching out and listening to shareholder concerns. In response to shareholder requests, Imation's Board of Directors recently made two changes that are included in a separate 8-K filed this morning. We are eliminating Imation's existing shareholder rights plan, commonly known as a poison pill, and we have amended our bylaws to provide for majority voting to elect directors. We listen to our shareholders and have taken action and I wanted you to know about it. I will now ask Paul to provide a more in-depth look at our financials. Paul?

Paul Zeller - *Imation Corp. - CFO*

Thanks, Mark, and good morning, everyone. As Mark just mentioned, there are a number of moving parts in our fourth quarter results, which evidence the actions we're taking to drive our transformational strategy. I'll start by covering the financial implications of these actions before getting into the details of our fourth quarter. First, our year-end balance sheet reflects the acquisition of Nexsan, since this transaction was effective as of December 31. There were no implications to our income statement in 2012, we will be consolidating the results beginning in January.

Second, we recorded $21 million of restructuring and related charges due to the cost reduction program we announced in October. Our objective is to achieve a 25% or larger cut in operating expenses overtime. The majority of these charges were recorded in the restructuring and other section of our income statement, but a small amount also impacted cost of goods sold. These details are laid out in the supplemental information provided with today's earnings release. Third, we recorded substantial non-cash impairment charges totaling about $284 million in the fourth quarter, primarily associated with intangibles from our 2006 and 2007 storage media acquisitions and I'll provide some more details on that later.

So, when I refer to results excluding charges today, I'm excluding both the $21 million of restructuring and related charges, as well as these impairment charges. And finally, as Mark noted, we announced our plans regarding the sale of Memorex and XtremeMac consumer electronic businesses, as we become squarely focused on storage. In a few minutes I'll get into the reporting implications of these contemplated actions on our 2013 results. As we look forward to 2013, we believe our actions are establishing a strong center of gravity in Tiered Storage with the Nexsan acquisition and a rightsized cost structure that creates a solid foundation for Imation.

Now more details on our fourth quarter. Fourth quarter revenues were $299.1 million. That is down 12.6% from the same quarter in 2011. The rate of decline was lower than recent quarters, where we've seen 16% to 20% decline rates. We saw better revenue trends in secure and scalable storage, as well as in our traditional media categories. In terms of our product categories, as Mark noted and as you are aware, our traditional storage business, which is primarily optical and magnetic tape, has been in secular decline. We saw revenue declines of 15% in the quarter versus quarter four of 2011. That compared to decline rates of 20% or more in the second and third quarters of 2012.

Optical media was the main driver, where we saw a 16% decrease improved from a 24% decline rate in the prior quarter. We regained some of the share we lost in Asia a year ago. You may remember that we raised prices late in 2011 in response to earlier supplier cost increases. We lost some share in North Asia at that time and have steadily regained it since then. In tape, revenues were down 14% in line with the decline rates we've seen over the last couple of quarters. Secure and scalable storage revenues grew nearly 17% in the fourth quarter, the strongest growth we've seen in two years. We saw contributions from external hard disk, flash media, storage solutions, as well as mobile security. Our audio and video information revenues were down nearly 24% in the quarter.

This was driven entirely by the US, where we continue to experience a very difficult retail environment. Our international ABI business remained strong, with 20%-plus growth in most markets. From a regional standpoint our Americas segment revenues drove the vast majority of our declines, with the biggest contributor being our ABI business, which was down over 35% in this region. The Apple connector change caused significant disruption in the audio category, which only added to what was an otherwise weak holiday season for the bricks and mortar CE segment outside of tablets. Traditional storage declined in the Americas as expected in quarter four and we saw encouraging growth in mobile security, which was up very nicely in the quarter.

The European segment revenues finished relatively strong in the fourth quarter, with a 7.5% decline which compared to a 22% decline in the prior quarter. Traditional storage driven by optical declined, as expected, in Europe, however, we saw growth in both secure and scalable storage, as well as ABI, which helped to moderate those declines. North Asia revenues grew 0.5% in the fourth quarter. We benefited from the recovery in optical share I mentioned earlier, helping drive overall optical growth in the fourth quarter for North Asia. We also saw growth in both secure and scalable storage, as well as ABI in this region, with the largest contributions coming from storage solutions and CE accessories. In South Asia revenues declined modestly at 3.9%. A significant rebound from their very weak Q3.

We achieved this turnaround despite significant reductions in optical revenues. Overall, our Q4 revenues were slightly penalized by currency changes, about a 1 point penalty to our year-over-year comparisons. Gross margins were 16.9% in the fourth quarter excluding charges. That's down 0.3 of 1 point from the same quarter in 2011. Looking at margins by product category, traditional storage margins were down a little over 1 point driven by softer margins in magnetic, primarily due to some inventory accruals related to remaining diskette inventory. Optical margins remain solid.

Our secure and scalable storage margins fell off in the quarter to 14.6%. There were several negative impacts. Commodity, flash and external hard disk margins were both down, reflecting increased supplier cost especially in flash. RDX margins were soft in the fourth quarter due to some inventory adjustments and mobile security margins rose year-over-year and remained solidly in the [40%s], but were down however sequentially. In ABI margins improved 5 points year-over-year and were consistent with last quarter at 15.9%. Accessory margins remained our strongest ABI category, with margins in excess of 20% to sales. Operating expenses totaled $55.6 million. That's down about 6% or $3.3 million from quarter four of 2011.

We expect to report continued and increased levels of cost reductions, especially beginning in the second quarter of 2013 when we will begin to see more measurable benefits of our expense reductions actions. Associated with our cost savings initiatives, we recorded $21.4 million of restructuring and other charges in the fourth quarter. We estimate charges to total between $50 million and $60 million over time, with cash cost of approximately $40 million. Cash based charges in quarter four were only $900,000 and thus the majority of these cash costs will occur during 2013.

As I noted earlier and as we've signaled last quarter, we evaluated our intangible assets for potential impairment during the fourth quarter. As a result of that analysis, we recorded fourth quarter non-cash charges of $260.5 million, primarily for brand intangibles, and $23.3 million for goodwill. The vast majority of the brand impairments related to our 2006 and 2007 Memorex and TDK storage media acquisitions. The need to take these charges was triggered by the accelerated optical secular declines we've been seeing recently. The goodwill impairment was related to our 2011 mobile security acquisitions and was triggered by a somewhat lower trajectory of the high-security market segment.

Our recorded operating loss for the quarter, including the $305 million of charges I just walked through, was $310 million. If I exclude those charges, we had an operating loss of $5.2 million in the fourth quarter. As a reminder, the vast majority of these charges are non-cash and EBITDA was $2.8 million in the fourth quarter ex-charges. And that excludes depreciation and amortization, which totaled $8 million in the fourth quarter. Non-operating expenses were $800,000 in Q4, that compares favorably to the $1.5 million of cost in Q4 2011. Our per share loss was $0.14, excluding the charges I just discussed. We ended the quarter with $108.7 million of cash and equivalents. That's down $77.6 million in the quarter.

The main driver, obviously, was the acquisition of Nexsan, which used $104.6 million of cash. Offsetting this was a solid $14.1 million in cash generated from operations. We also added $20 million in cash from utilization of our credit facility. And finally, we repurchased about 400,000 shares for $1.7 million during the quarter under our share repurchase authorization, which has 3.8 million shares remaining. With the implementation of the various transformational actions we've been discussing this morning, we remain committed to building a platform for long-term growth and improved operating earnings. In the near term, we anticipate making several changes to our financial reporting framework based on these actions, which will impact our financial results and disclosures going forward.

So, let me walk you through those. First, as we move to our business unit centric structure, we'll be changing our reporting segments from regions to business units beginning in the first quarter. Tiered Storage and Security Solutions, TSS, as one segment and Consumer Storage and Accessories, CSA, as the other. As a reminder, TSS includes our tiered or scalable storage products including Nexsan, mobile security, RDX and magnetic tape, as well as our removable hard disk products. CSA includes optical media, flash media, external hard disks, and audio and video information. Going forward this ABI piece will be focused on TDK brand and this category will also include our storage media accessories.

Second, based on our decision to divest of our Memorex and XtremeMac consumer-electronics businesses, their results will be presented on a discontinued operations basis beginning in the first quarter of 2013. Their revenues, gross margins and direct operating expenses will be reclassified to the discontinued operations line on our income statement, which is below operating income from continuing operations. In addition, prior periods will be restated to conform to that presentation. As a result, we expect operating income will be penalized in transition by absorbing overhead that previously would have been allocated to these ABI businesses. This possibility was anticipated when we sized our restructuring program. We anticipate that over time our cost reduction efforts will mitigate this impact, but Q1 will likely be penalized as a result.

Finally, as we execute on a restructuring program, we expect to see OpEx benefits begin to ramp to a modest degree in Q1 excluding charges, with increasing benefits quarter by quarter throughout the year. So, in summary, in our fourth quarter we continued to lay important groundwork for our transformation, as we executed on the Nexsan acquisition, began implementing a restructuring program and announced today our plans to sell portions of our ABI business to increase our focus. We remain firmly committed to our strategy focused on secure and scalable or Tiered Storage. With that, we would be pleased to take your questions. Thank you.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Mark Miller, Noble Financial.

Mark Miller - *Noble Financial Group - Analyst*

A lot of stuff going through this report and I just want to clarify some things. The hit on secure and scalable margins you said was commodity flash, was it external drive and was there one other thing?

Paul Zeller - *Imation Corp. - CFO*

Yes. There were a couple of business issues in flash and in external hard disk, as you mentioned. In flash it's a combination of both we're starting to see manned price increases or cost increases from our supply base and we've been seeing retail price contraction with some competitiveness., So, it's kind of a double whammy. So, flash margins were off several points in the quarter.

External hard disk has just been competitive and we actually took some interesting business for one of our key customers in ANZ, but it was lower margin and that hurt our overall percentages. But beyond that, we did have some inventory related adjustments we took in a couple of categories in the rest of the kind of overall TSS business.

Mark Miller - *Noble Financial Group - Analyst*

Now the Nexsan results are not included in secure and scalable? Is that correct?

Paul Zeller - *Imation Corp. - CFO*

That's correct. The balance sheet is consolidated in and the balance sheet that's in our release and will be in our 10-K, but none of the P&L results will be included until 2013.

Mark Miller - *Noble Financial Group - Analyst*

And two, in terms of the margins of Nexsan, would they be at the current level or the level reported last quarter? Are they higher, are they lower? And how does that play in, are you going to benefit or is it going to be a hit to margins when you add that back?

Paul Zeller - *Imation Corp. - CFO*

It will definitely be a benefit to both our overall corporate margins, as well as the total of that category there. There's solid hardware with some software element margins at the 40% to low 40%s, as we've discussed earlier. So, that's going to be a nice benefit to overall corporate margins.

Mark Miller - *Noble Financial Group - Analyst*

One more question and I'll jump back out of the queue. The ABI business. With the changes you've made would that be now profitable and standalone basis?

Paul Zeller - *Imation Corp. - CFO*

I mean, I anticipate as someone looks -- are you talking about the ones we're divesting or the TDK piece we're retaining, Mark?

Mark Miller - *Noble Financial Group - Analyst*

Will I mean as constituted after these changes, would ABI have been profitable? Or was it going to be profitable?

Paul Zeller - *Imation Corp. - CFO*

I mean what we are doing with our cost reductions is targeted at making all of our businesses return to profitability and that includes ABI. We certainly will experience some unabsorbed overhead in transition, as I mentioned. So, we have to work through that. We did anticipate that could happen when we sized our restructuring reserve, as I mentioned. So, I think we're going to be taking the right actions to bring our overall cost structure in line with the remaining ABI business. So, longer term, yes, near-term there will be challenges.

Mark Miller - *Noble Financial Group - Analyst*

Okay. Like I said I'll let some other questions be posed to you. Thank you.

Paul Zeller - *Imation Corp. - CFO*

Thanks, Mark.

Mark Lucas - *Imation Corp. - CEO*

Thanks, Mark.

Operator

Chris McGinnis, Sidoti & Company.

Chris McGinnis - *Sidoti & Company - Analyst*

Just, I guess, a couple follow-ups. Just on the Nexsan acquisition. How does that position you now in the scalable business and do you feel comfortable with your product kind of portfolio? Do you still need to make some additions to that and maybe talk about the acquisition strategy, if there still is one after this?

Mark Lucas - *Imation Corp. - CEO*

Yes, Chris, we're really excited about their portfolio. They have extremely well-respected hardware, as well as software overlays to it. They're constantly rated right up there with some of the big six hardware solutions. Additionally, they have a great channel of our network throughout both the US and Europe. So, we're looking to be able to bring to Nexsan some global scale and footprint and be able to accelerate their growth in other parts of the world beyond the US.

We think their portfolio is pretty complete. Then when we look at the security businesses that we've accumulated and now the scalable storage with Nexsan, our focus for the next year is going to be on assimilating these businesses and leveraging their cores to higher growth. I do not anticipate any further acquisitions in 2013, although we will continually to be look opportunistically for things that are good value and good shareholder return.

Chris McGinnis - *Sidoti & Company - Analyst*

Just on the exiting of the Memorex and Xtreme, maybe can you just walk through why you're going to keep the TDK and why not just divest the whole consumer side.

Mark Lucas - *Imation Corp. - CEO*

Yes. It was a bit of a difficult decision. TDK is very strong in Europe, Australia and Japan. And in those markets is very strong in the accessories area, like headphones and headset and some ancillary products that all are extremely attractive margin. Because we're continuing to offer consumer storage at retail and we want to maintain our retail presence, these regions pleaded with us basically to allow us to continue TDK in those markets because it gives them economies of scale and increases their relevance with these retailers. So, the real focus with the TDK will be on high margin accessory type businesses outside the United States that deliver very attractive returns.

With XtremeMac and Memorex, we've done a lot of work there. We're very pleased with our product portfolio, but the CE market in general is a tough one, especially in the US, it's very competitive right now. Brick-and-mortar retailers are having a hard time in this category. And, quite honestly, the engineering investment and the tooling investment in this category is very high. And so we just thought it would be a good time. We returned these businesses to good growth, to good profit margins. We thought it would be a good time to seek out alternative strategic parties who are interested in consumer electronics as a core business.

Chris McGinnis - *Sidoti & Company - Analyst*

And any timing thoughts on when you could expect to divest the two?

Mark Lucas - *Imation Corp. - CEO*

Yes. We are hoping to complete these in the first half of this year.

Chris McGinnis - *Sidoti & Company - Analyst*

And then just a couple follow-ups that I know you did discuss, but just on the 25% cost reduction program. Obviously, it will hit more in '14, but is that safe to assume off the numbers that we've just -- you just completed for the year? On the operating side?

Paul Zeller - *Imation Corp. - CFO*

Yes, Chris, I think that's a reasonable basis on which to estimate that. If you look at our full-year OpEx, take out the restructuring charges, obviously, but that's kind of the foundation upon which we're targeting the 25% reduction, yes.

Chris McGinnis - *Sidoti & Company - Analyst*

And can you just go through the cash cost, again. I think you said $900,000 in Q4 and then the remainder in 2013?

Paul Zeller - *Imation Corp. - CFO*

Yes. I think the $40 million I talked about, yes, the vast majority of that you'll see in 2013. It's plausible some small amount could flow into 2014, but 2013 is going to be primarily where you'll see that $40 million.

Chris McGinnis - *Sidoti & Company - Analyst*

All right. Thank you very much.

Paul Zeller - *Imation Corp. - CFO*

Thank you, Chris.

Operator

(Operator Instructions)

Eric Martinuzzi, Lake Street Capital Markets.

Eric Martinuzzi - *Lake Street Capital Markets - Analyst*

Just curious to know the -- with the DiscOp, I realize you may not have nailed down all the expenses, but if we looked at 2012 without the discount businesses, what does that revenue look like? And then what would it look like with Nexsan overlaid on it?

Paul Zeller - *Imation Corp. - CFO*

Okay, Eric, this is Paul. Let me give you -- we don't disclose specific brand level revenues and the like, but I think we can get you in the ballpark. If you look at our disclosures today, the entirety of the ABI business revenues for 2012 were $161 million. And that has a component of storage accessories that really aren't consumer electronics related. Maybe 15%, 20% of that total isn't really related to CE and accessories. So, the remainder of it is split between the Memorex brand, the XtremeMac brand and TDK. And so that kind of gives you a rough order of magnitude, call it $90 million plus or minus. Between $90 million and $100 million of revenues historically relate to the businesses that we're planning to exit. And what was the second part of your question again?

Eric Martinuzzi - *Lake Street Capital Markets - Analyst*

It was pro forma for Nexsan.

Paul Zeller - *Imation Corp. - CFO*

Nexsan, as we've talked about when we announced the acquisition in fourth quarter, has had historic revenues in and around $80 million plus. So, that is a good rough order of magnitude to be thinking about.

Eric Martinuzzi - *Lake Street Capital Markets - Analyst*

And then SMB is now without its competitors as far as storage systems go and I do understand Nexsan has a competitive product, but who are the -- you mentioned the big six, but there's typically 80/20 to any kind of analysis and I was wondering who are the people that Nexsan bumps up against most often in competitive situations?

Mark Lucas - *Imation Corp. - CEO*

Probably Compellent is one of their primary competitors out there. Another one would be EqualLogic and we do understand they are now -- they were acquired, but they are still running into them pretty much in the SMB area. One of the nice things that we found is that the big six can be very controversial to Vars because they can be very heavy-handed in their approach and Nexsan being very dedicated and of a different approach is very channel friendly.

We expect to continue that. In fact, Nexsan has been very excited because what we bring to the party to help them is the financial stability of a larger public organization, which they lacked before. So, we now give them credibility with their customers to actually expand their growth at a faster rate.

Eric Martinuzzi - *Lake Street Capital Markets - Analyst*

And you talk about this being a growing business for 2013. Are there any revenue synergies built into your forecast, them benefiting from your pre-existing relationships?

Paul Zeller - *Imation Corp. - CFO*

We have -- we believe there is an opportunity to expand their revenue base internationally. And that's going to be a key focus for us. We also believe there's plenty of opportunity to expand share and their overall footprint in the markets where they do exist today, which is principally the US and Europe. And even in Europe, for example, they're not well penetrated throughout the continent. So, we think we bring a real opportunity there.

Eric Martinuzzi - *Lake Street Capital Markets - Analyst*

And just one last one if I might. In 2013 with Nexsan you're talking about two new business units and the DiscOp, if we just look at the big picture revenue pie, what's the percent TSS versus the percent CSA go forward?

Paul Zeller - *Imation Corp. - CFO*

There's so many moving parts, Eric, as you're aware, as we're looking at all the pieces. So, I think it's a little early to get to kind of specifics like that, except to say we clearly are growing that higher-margin opportunity because the CSA businesses generally, not all of them, but the largest in optical is in secular decline and there's a real growth opportunity around storage and security. So for sure, the farther you go out the more and more that's becoming the increasing center of gravity of the Company.

Eric Martinuzzi - *Lake Street Capital Markets - Analyst*

Thank you.

Mark Lucas - *Imation Corp. - CEO*

Thank you.

Operator

Mark Miller, Noble Financial.

Mark Miller - *Noble Financial Group - Analyst*

A couple questions ago you mentioned, I believe, it was a $40 million charge most of which will be taken in 2013. Is it going to be linear or did you say it was more concentrated in the first quarter?

Paul Zeller - *Imation Corp. - CFO*

Well I think -- let me get at two aspects of that, Mark. One is when the cash cost will be incurred and when the OpEx benefits will be seen. The cash costs themselves probably occur, obviously, a little bit earlier than the full measure of the benefits occur over time. Very little of either the cash costs or the benefit we are going to see in first quarter. There can be some cash cost depending on just timing of when people exit the Company around the world and severance payments and the like. As we get into second quarter, for sure, it will be a heavier cash cost and then into third and the latter part of the year.

The benefits are going to be more backend loaded. And we've anticipated that when we structured the whole program, but the real benefits begin in second quarter. And by the time we exit the year we anticipate the vast majority of our benefits should be in place.

Mark Miller - *Noble Financial Group - Analyst*

This decrease in Americas and revenue year-over-year, was that just basically through some divestitures you can [hear] over the year?

Paul Zeller - *Imation Corp. - CFO*

Well, frankly, a lot of it is that ABI declined pretty substantially. I mean the US retail has been difficult. And we also have a very large optical business in the US with the Memorex brand. And so, US ends up being more exposed to those two categories that were in decline in 2012.

Mark Miller - *Noble Financial Group - Analyst*

I'm just wondering, so far this quarter in terms of Europe or Asia, I mean a lot of calls we're hearing are actually guiding down for the current quarter from expectations, but they feel there'll be a stronger second half of the year. I'm just wondering what you're seeing this quarter and do you expect to see, just from the macro-economy globally, do you expect a better second half?

Mark Lucas - *Imation Corp. - CEO*

Boy, that's the million-dollar question, Mark. Quite honestly I think from our perspective jury's out. Primarily also we have so many moving parts right now, as we're getting out of businesses, moving into new businesses. So, I would defer answering that if I might until our next call when we have a better -- a couple more months under our belt.

Mark Miller - *Noble Financial Group - Analyst*

All right. Thank you.

Paul Zeller - *Imation Corp. - CFO*

Thanks, Mark.

Operator

Chris McGinnis, Sidoti & Company.

Chris McGinnis - *Sidoti & Company - Analyst*

Just one more follow-up. Just on the cash balance, just under $109 million. How much of that is in the US? And, I guess, when you're thinking about throughout the year as you execute on the restructuring plan, can you use some of the cash outside the US to help with that?

Paul Zeller - *Imation Corp. - CFO*

Yes. So, we have been, over time, working aggressively to centralize more and more cash into the US. In the past the majority was actually international and now we've moved to 50/50 and now even in greater in the US. I think our objective is to continue to move and manage the cash more and more centrally and have it available corporately and then if we need it internationally it is very easy to deploy it where needed for growth. And that has always been my philosophy. We don't particularly hold cash anywhere internationally just to invest, for example, other than what's necessary to drive growth in terms of working capital and the like. So, that's been our philosophy and I think we'll continue that.

Chris McGinnis - *Sidoti & Company - Analyst*

There shouldn't be any issues of -- I guess, as you navigate on the restructuring side and the charges, you don't have to borrow or anything against that because you have enough liquidity in the US or does that matter?

Paul Zeller - *Imation Corp. - CFO*

Yes. Absolutely, we have sufficient liquidity in the US and internationally where we need it for implementing the restructuring programs.

Chris McGinnis - *Sidoti & Company - Analyst*

Great. Thanks, Paul.

Operator

There are no further questions at this time. I turn the call back over to the presenters.

Mark Lucas - *Imation Corp. - CEO*

I thank everyone for participating and we look forward to talking to you at the end of the first quarter. Thank you.

Operator

This concludes today's conference call. You may now disconnect.
