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RSYS - Q2 2013 Radisys Corporation Earnings Conference Call

EVENT DATE/TIME: JULY 30, 2013 / 9:00PM GMT

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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by and welcome to Radisys' second quarter earnings conference call with Brian Bronson, Radisys' President and Chief Executive Officer, and Allen Muhich, Radisys' Chief Financial Officer. As a reminder, this call is being recorded. (Operator Instructions)

Mr. Muhich, you may begin.

Allen Muhich - *Radisys Corporation - CFO*

Good afternoon, everyone, and thanks for participating on the call today. We will be discussing second quarter business and financial highlights, our expectations for the third quarter, and we will also provide an updated strategic assessment of the business, and some of the supporting actions we will be taking over the next 12 to 18 months. We will then open the call up for questions.

As a reminder, we are sharing slides with you today in addition to our prepared remarks. You may follow along using the instructions contained in today's press release. In addition, the slides will be available on Radisys.com following the call.

Before I turn it over to Brian, let me caution you that any statements in this call regarding future expectations for the business of Radisys constitute forward-looking statements that involve a number of risks and uncertainties. We caution you not to place undue reliance on these statements. Factors that could cause actual results to differ materially from those in the forward-looking statements are discussed in today's earnings release and in our SEC filings, most recently in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2013. All information provided in this call is as of today. Radisys undertakes no duty to update any forward-looking statement to conform to actual results or changes in the Company's expectations.

In addition, during the call we will discuss some non-GAAP measures. We have provided a GAAP to non-GAAP reconciliation of these measures in today's earnings release.

With that, I'll now turn the call over to Brian.

Brian Bronson - *Radisys Corporation - President & CEO*

Thanks, Allen an good afternoon. When my team and I took over the business back in the fall almost a year ago, I indicated we would conduct a thorough but relatively quick evaluation of the Company's strategic direction. We concluded the need to do fewer things and do them better. We needed to increase our focus and investment in our media resource function or MRF product line and leverage our Trillium and general software expertise into solutions, while at the same time cancelling non-core products or potentially selling non-core businesses. We also confirmed that our organization and site structure was too complex, resulting in too high of a cost structure.

We have delivered on the objectives I have set forth this year by bringing cash back on the balance sheet through positive cash flow, excluding restructuring activities. We also completed a strategic evaluation to prioritize our best opportunities based on our D&A and overall technology, market position, and customer incumbency. I will give you more color on this in a minute. We tested the merits of monetizing certain businesses or manage for cash non-strategic product lines to drive overall Company focus and bring cash onto the balance sheet. The actions completed or planned as of this call include divesting our OS-9 software business, cancelling our security gateway product, managing for cash our value COM Express product line, and finally, putting the plans in place to dramatically improve the profitability of the Company through substantial cost reduction, quality improvement, and driving growth in our growing businesses. We are going to make all of our businesses profitable.

Let me now outline our top three strategic priorities and why. Our number one priority remains MRF. We have plans in place to at least double it in the next three years and ultimately expand our total available market as we continue to broaden our product capabilities. Today, our MRF revenue is approximately $30 million and profitable. We continue to have a solid foundation in audio conferencing and are successfully leveraging our knowledge base to attack a broader market, whether new carrier grade MPX-12000 and recently launched virtualized MPX-OS.

By the way, I should be clear in that our MPX-OS is a software only MRF that works on many of the leading standard servers in the marketplace. The difference between the MPX-12000 and using MPX-OS on a standard server largely depends on the application and required media processing densities. With these new products, we have captured broader market opportunities in applications such as audio and video transcoding, video conferencing, voiceover LTE, rich communication services, and most recently, web RTC, which is targeted at providing browser-based real-time audio and video communications to greatly enhance over the top applications through existing and emerging service providers. Essentially, we can perform any required media processing in the LTE network. We are now in 14 trials in these areas with several expected to deploy throughout 2014.

Finally, we are making the necessary investments in MRF to ensure we capture the market momentum we are seeing. So given our solid incumbent position in conferencing, the demonstrated profitability profile, and our technology and product leadership targeted in the markets with accelerating growth, this business alone has the opportunity to create meaningful shareholder value from current total Company valuation levels today.

Another top priority for us is to grow our Trillium software and solutions business 20% plus per year with solid profitability, by the way. Today, our business is roughly $20 million a year and close to break even. This business is a combination of several key initiatives that leverage our underlying LTE network technology and knowledge base. These include our software suite of Small Cell solutions, our broader LTE knowledge that can be leveraged in the adjacent markets, our ability to combine our hardware and software technology into unique solutions, and finally, our professional service capabilities.

So let's start with Small Cells. As a refresher, we provide the key software that when coupled with our partner's hardware creates a Small Cell base station that carriers will deploy locally in significant quantities to help resolve congestion resulting from the explosion of wireless data and video. And just so everyone understands our model in this growing market, we are a software only play with an upfront license, ongoing maintenance, and a royalty on every carrier deployed Small Cell.

In addition to Korea, which we have discussed in the past, and where our customers and carrier partners have recently begun to commercially deploy, we have a number of other wins and trials coming in the next months that will leverage different customers with different carriers in new geographies. The value for our shareholders is more than the gross margin rich license and royalty revenue we generate over time. Our goal is to become embedded and deeply intertwined in as many carrier radio access networks as possible, thereby enhancing the value of this business and our Company.

Our pipeline of Trillium licensed and professional service opportunities entering the second half increased over 40% from the level it was at the beginning of the year. The pipeline growth has been enabled by increased focus as we now have a dedicated sales resource thinking only about Trillium technology. The opportunities themselves leverage our traditional Small Cell applications, but as I mentioned earlier, as the network and technology matures, we are now taking the same base LTE technology into other adjacent markets in different applications such as virtual EPCs or evolved packet cores, test and measurement, as well as in aerospace and defense applications.

In addition, we are also gaining traction with market leading LTE TDD technology as key geographies such as China and India move closer to trials. In the area providing combined hardware and software solutions, we continue to be optimistic. Our focus remains on solutions such as load balancers, edge routing devices, femto or internet offload gateways, and ultimately bringing more telecom insight of one box to reduce network cost and complexity.

Our final priority is to make our platforms business profitable, while also continuing to invest in enabling a virtualized platform to capitalize on the markets transition into SDN or software defined networks, and NFV or network function virtualization. Today, our platforms business is running at approximately $200 million a year and is operating at a loss. Annually, within platforms, ATCA is about $130 million. COMe and Rackmount Server is about $45 million, of which, by the way, $7 million is our value product line that we have decided to manage for cash, as I mentioned earlier, and legacy CPU board level products are about $25 million.

We are targeting our cost structure for this business to be profitable at $170 million over the next three years. At this revenue level, the product composition would approximate ATCA of about $140 million, or some growth, and COM Express and Rackmount Server to be about $30 million. Legacy CPU board level products, of course, would continue to decline to zero. Our quarterly ATCA business continues to be flat plus or minus $5 million. That said, we have a number of design wins in geographies, particularly in China, which ultimately may lead to some growth. But as others have also reported, delayed China telecom spending, our deployments also continue to be delayed. We will continue to focus on winning new design wins where, as an example, in Q2, we won 17 new design wins for platforms products, totaling over $70 million in revenue to be realized over the next five years.

Many of these design wins are with existing established customers in target gateway applications, including femto, internet offload, and policy gateway, as well as in the area of aerospace and defense. So the bottom line for ATCA is this is a business we will continue to invest in, to maintain our leadership position in enabling carrier grade technology platforms, while also making it profitable. To enable the profitability, we will be reducing our cost structure by approximately $20 million a year over the next 18 months. I mention a gross spending reduction, as I want to provide some context to the scale of the changes we are making in the organization.

As I mentioned earlier, we will be reinvesting some of the savings into our growing MRF business. Taken together, we anticipate operating expenses in 2014 to approximate $80 million with an additional $6 million reduction to be realized as we exit 2014. We have identified all of the areas for these savings and are putting plans in place to date to realize this full benefit. Some specific examples include the closure of our Shanghai Design Office, as we consolidate our China hardware development in Shenzhen. We also will be closing our administrative office in Ireland to save the cost as well as simplify our customer interaction. These are but just two examples of the actions we are taking and I look forward to sharing the remaining details of my full plan as part of the October call.

I have also better aligned and focused our organization to enhance our opportunities for capturing market share and driving revenue growth in our most important target markets. Amit Agarwal, who previously ran our combined software and solutions organization, is now 100% dedicated to ensuring MRF's success. Todd Mersch, who previously worked for Amit managing our Trillium efforts now directly reports to me and is responsible for our unique hardware and software solutions, in addition to his Trillium management responsibilities. And Keate Despain will focus exclusively on bringing the platforms business back to profitable growth.

I should also mention that I removed our VP of Sales earlier this year, put the sales team inside each of the businesses, and am now searching for a new candidate who will have a background with demonstrated success in driving sales of full systems, as well as software and solutions into the communications market. This addition will further accelerate the traction we are getting in our targeted markets.

With that, I'll now turn the call over to Allen, who will speak more about our second quarter financial results and projections for the third quarter.

Allen Muhich - *Radisys Corporation - CFO*

Thanks, Brian.

As expected, our second quarter revenue was $65.4 million and non-GAAP EPS was $0.03. The sequential decrease in revenue resulted primarily from decreases in ATCA as significant Q1 shipments to a top five Japanese customer were not repeated in the second quarter. Partially offsetting was an expected software solutions revenue increase that was primarily due to higher Trillium license revenue, resulting from the ramping pipeline of opportunities Brian mentioned earlier.

Our second quarter top five customers were Arrow, Danaher, NEC, Nokia Siemens Networks and Philips Healthcare. Two customers, Nokia Siemens Networks and Danaher each accounted for more than 10% of second quarter revenue.

Q2 non-GAAP gross margin was 33.3%, representing a one-percentage point increase when compared to the first quarter. The margin increase is a direct result of the sequential growth in higher margin software solutions revenue. Second quarter non-GAAP R&D and SG&A expense of $20.6 million represents a $1.1 million reduction when compared to the first quarter. I should note that included in the second quarter SG&A expenses is a one-time, $1.3 million gain related to the recovery of license and legal fees associated with unauthorized use of our Trillium software. Additionally, we incurred $600,000 in restructuring expense during the second quarter associated with our office closure in Ireland, as well as the first tranche of actions needed to close our Shanghai Development Center.

Switching over to the balance sheet, second quarter accounts receivable decreased $5.3 million to $45.2 million, reflecting lower revenue levels, combined with a five-day improvement in DSO when compared to the first quarter. We had a modest improvement in our shipment linearity, resulting in more shipments that were collectible within the quarter. Second quarter inventory increased by $1 million to $25.1 million from the first quarter, but remains nearly $4 million lower than at the end of 2012, reflecting the meaningful improvements being driven by our operations team.

Cash increased $2.2 million during the quarter to end at $33.9 million. Outstanding debt as of June 40 remained at $33 million, $18 million convertible debt that comes due in February of 2015, plus $15 million outstanding on our Silicon Valley Bank line. I should also note that yesterday we signed an amended agreement with Silicon Valley Bank extending our $40 million line of credit through July of 2016. The line now provides us the flexibility to exclude up to $12 million in cash restructuring charges from our EBITDA covenant calculation and is designed to ensure we have adequate access to capital as we complete our restructuring activities and convertible debt repayment.

As an additional note, our borrowing base at the end of the second quarter was $24.6 million. The terms of our new SVB amendment provides for an additional $10 million of non-formula availability when our rolling two quarter EBITDA exceeds $6 million. Taken together, our June 30 unused and available SVB line would have been $19.6 million had our agreement been in place at the end of the quarter.

Moving over to our third quarter outlook, we expect Q3 revenue of between $55 million and $60 million, which at the midpoint reflects a long expected sequential quarterly decrease in COM Express, Rackmount Server, and other legacy revenue. ATCA revenue will also decrease sequentially, but it is expected to show modest growth when compared to Q3 of last year. Somewhat offsetting the decline in our platforms business, we expect an approximate 15% to 20% sequential increase in software solutions revenue.

Q3 non-GAAP gross margin is expected to approximate 34% to 36%, as a sequential growth in higher margin software solutions revenue should positively affect overall gross margin rates. Q3 non-GAAP R&D and SG&A expenses are expected to increase by approximately $500,000 reflecting the Q2 $1.3 million one-time credit that will not repeat and will be somewhat offset by initial restructuring savings. In Q3, non-operating expense and non-GAAP taxes are each expected to approximate $300,000.

We expect third quarter non-GAAP EPS to range from a loss of $0.11 to a profit of $0.01 per share. We anticipate a modest consumption of cash during the quarter given our restructuring plans. In the fourth quarter, we anticipate further increase in both software solutions and ATCA revenue that when combined with an approximate $1 million reduction in spending will restore non-GAAP profitability.

With that, I will hand the call back over to Brian.

Brian Bronson - *Radisys Corporation - President & CEO*

Thanks, Allen.

We made great progress in our MRF business and I'm optimistic about our specific plans to at least double it over the next couple of years and get our Trillium software and solutions business to 20% plus growth starting in the second half of this year. This is where we are investing more and more of our resources. At the same time, we will have a profitable platforms business with market leadership and merchant supplied carrier grade platforms, and will leverage our incumbency into selling a virtualized platform as the world moves to SDN and NFV over the next couple of years.

In addition, we have a number of specific plans in place to materially improve profitability and cash flow of the Company. And frankly, I'm also eager to meaningfully reduce the complexity and improve the efficiency of the Company. The growth dynamics of our software rich businesses, combined with our cost structure actions, will result in the achievement of our target financial model of approximately 40% gross margin and 10% operating income on $240 million to $250 million of revenues as we exit 2014.

With that, we are ready to open up the line for questions.

QUESTIONS AND ANSWERS

Operator

Thank you. (Operator instructions) And our first question will come from James Kisner with Jefferies LLC. Go ahead please.

James Kisner - *Jefferies & Company - Analyst*

Hi guys. Thanks for taking my questions.

Brian Bronson - *Radisys Corporation - President & CEO*

Hi, James.

James Kisner - *Jefferies & Company - Analyst*

So I just want to clarify some of this guidance. Let's start with you in your release you talked about a model of $240 million to $250 million of revenue, 40% gross margin and 10% operating income as we exit '14.

Brian Bronson - *Radisys Corporation - President & CEO*

Right.

James Kisner - *Jefferies & Company - Analyst*

I just want to understand is that a goal for '14 or is that a quarterly run rate that you would hope to achieve in Q1 '15? Can you clarify what you mean by this model and when you might achieve it?

Allen Muhich - *Radisys Corporation - CFO*

So James the numbers that we were talking about, $240 million to $250 million, 37% to 38% margin as you reference our slide 10, our $80 million SG&A expense that we indicated in the -- in our prepared remarks will yield for 2014 roughly $0.20 to $0.40 per share. On an exist rate basis we should be ramping greater than that as we exist the year. So we think that our gross margin, again, given the Software Solutions growth that we are seeing, the cost that we are going to be taking out of the business, that we will be at roughly 40% gross margin, 10% operating income, and an annualized EPS rate of roughly $0.70. So that's an exit rate number as oppose to the full year number.

James Kisner - *Jefferies & Company - Analyst*

Okay. But on the revenue piece by itself, you are not guiding -- are you or are you not guiding $240 million to $250 million for '14?

Allen Muhich - *Radisys Corporation - CFO*

We are.

Brian Bronson - *Radisys Corporation - President & CEO*

We are.

James Kisner - *Jefferies & Company - Analyst*

You are? Okay. So I don't have the slides. So another question just on the expenses so I understand the guidance here too, or at least the goals here. You are saying you want to reduce your expenses by $20 million. My math is -- if my arithmetic is right, you just did $20.6 million in expenses. I mean it just seems like that times four is pretty close to $80 million. So I'm trying to understand, are you including COGS in there or are you thinking about GAAP, or -- ?

Allen Muhich - *Radisys Corporation - CFO*

No, James and again, in the slide presentation that we shared there were some details that support this. But you are absolutely right, we just did roughly $20.5 million worth the operating expenses. But again, we included about, or incurred about $1.3 million gain that was one time related associated with some Trillium license recovery. So if you adjust for that, we're more on an $88 million pace, which is consistent with where we have been over the last couple of quarters. We also mentioned on the call that we are going to be making some addition investments in MRF to drive the meaningful growth that we anticipate in that product and the market that we are penetrating. And so taken together, we expect roughly $14 million of the $20 million of savings in 2014 bringing us down to $80 million with an addition $6 million coming as we exit 2014.

James Kisner - *Jefferies & Company - Analyst*

Okay. Got it. That's helpful.

Brian Bronson - *Radisys Corporation - President & CEO*

And James maybe back on your first question just to make sure on the 2014, and you are quite right, it's $240 million to $250 million. The slide will talk about 20% growth in the software business and then negative 5% to 10% on the total platforms business.

James Kisner - *Jefferies & Company - Analyst*

Okay. That's helpful. Okay, and you said I believe $140 million for ATCA next year?

Brian Bronson - *Radisys Corporation - President & CEO*

Yes. I mean yes and what we said more generically too is that we're acknowledging that the overall platforms business is going to go from $200 million to $170 million over time, $140 million being ATCA, the other $30 million being COMe and Rackmount Server. It could very well be bigger than that. It could be the same in 2014. That's the details we'll work out, as we get closer to it. But we are solving the financial model for what we believe the end state to be, not where we're currently at.

James Kisner - *Jefferies & Company - Analyst*

Okay. That's helpful. Is it possible -- I mean are you seeing any disruption at all from one of your very big OEM customer? I mean there has been a lot of business sold there. Any thought at all that that is having an impact? I mean clearly you'd call that a Japanese customer not ordering this quarter. But just wondering if there is more, if there is any impact from all the change that's been happening?

Brian Bronson - *Radisys Corporation - President & CEO*

No. In fact, I would tell you that our business with our largest customer is firming up nicely. It did in Q2. I expect to continue to have the same effect in the second half and also on the strategic aspects of the business. So a book of our revenue is with ATCA, with NSN -- take out the older product, right, and expect MRF and other forms of growth within NSN over time.

James Kisner - *Jefferies & Company - Analyst*

Okay. Got you. And just again on Q4, just a little bit. I mean it seems like you are not really trying to guide specifically, but I don't know, is there -- can you give us -- I assume that -- is the whole quarter going to be up sequentially? You said Software and ATCA will be up, but I assume we are going to see further deterioration with these other businesses. Or can you give any more specificity to what you expect in Q4 and also just kind of what gives you the confidence that you have visibility to Q4?

Brian Bronson - *Radisys Corporation - President & CEO*

Yes, and so let me punctuate the second half in general then by default maybe we can roll into Q4. So anything can happen of course, but feel very, very good about being able to deliver that 15% to 20% growth on our software business, both from the first half as well as year-over-year. And that's because of POs, to design wins, to conversations we've had with specific customers. And frankly, I think in the context of our Software and Solutions business proper, meaning our Trillium business, there is some upside even to our numbers.

In the case of platforms, I also expect ATCA to be up sequentially, not by much, but I expect Q3 in the context of this conversation to be the bottom. How much it can go up in Q4, we'll have to share that in October.

James Kisner - *Jefferies & Company - Analyst*

Sorry, one last question. On ATCA, is there -- I think we talked about this in the past, but are you feeling perhaps any acceleration in just a general trend away from these Telecom interfaces towards off the shelve hardware? Clearly, you are kind of embraced that in a lot of your products, but there is longer term secular softness you are seeing in ATCA, or you really feel confident it's more of a push out or a blip? Is there nothing longer term happening here?

Brian Bronson - *Radisys Corporation - President & CEO*

Well that's a really good question, and again, let me start with it might be best to provide a full year context. So in January, February timeline we obviously had plans for the full year. I would tell you in the context of Software and Solutions it's steady as she goes. So what we predicted at the beginning of the year feels pretty good for the entire year, second half obviously being stronger than the first half.

In the case of ATCA, we're off, right, from originally what we talked about. Why? Half of it is China. So we expected to have about a $10 million piece of business if not more coming from our ATCA design wins in that geography and it pushed to the right. So we've had a lot of conversations with those particular customers. Design win hasn't gone away. Carrier has still been awarded the provinces, but we haven't seen the revenue.

And the other half I would tell you, part of our strategic assessment was to, frankly, get real with ourselves around some of the older ATCA product that was coming off from one particular customer. It went end of life. It didn't go to any competitor. And then the timing of our new design wins ramping up. So you might have had, James, I can't remember, $145 million, maybe even had $150 million worth of ATCA revenue in the beginning of the year. It's probably going to be more like $125 million or $130 million and the difference are those two reasons that I suggested. Nothing to do with the move to SDN or NFV. Nothing even really to do with our largest customer. I mentioned that earlier. Actually, things are going quite well with them in the context of ATCA. So it's really those two drivers. Now, long-term you heard my remarks. We do have to embrace and move our 40-gig platform to a virtualized platform to make it competitive and to make it relevant, to continue to make it relevant longer term but that's a three, four, five-year conversation, not today.

James Kisner - *Jefferies & Company - Analyst*

Okay guys. Thanks a lot. I'll pass it.

Operator

Thank you. We'll go next to Steven Zaccone with Needham & Company. Go ahead please.

Steve Zaccone - *Needham & Company - Analyst*

Hi, guys. This is Steven Zaccone on behalf of Rich Valera today. Switching to the MRF side of the business, can you guys say if you still expect 20% revenue growth in 2013?

Brian Bronson - *Radisys Corporation - President & CEO*

We do not for the full year, but we definitely do for the second half. So second half growth will look like 20%. It might even be more than that both year-over-year and sequentially versus the first half. Part of the strategic assessment was for me to get a better handle as a CEO and the timing of revenue ramp, and it would end up being a quarter or two slower than maybe I originally anticipated. But now I think we're on our way now to the 20% growth. For the year, growth, but I don't think we can get to the full 20% for the full year.

Steve Zaccone - *Needham & Company - Analyst*

Okay. That's helpful. And then just any comment in general about the split between audio conferencing and voiceover LTE.

Brian Bronson - *Radisys Corporation - President & CEO*

Yes. So, so the bulk of our business has been and will continue to be audio conferencing in the 2013 timeline. But I will tell you that, and I think this is pretty consistent with what I shared at the beginning of the year, I would say 10, maybe even more like 15 now depending on how things transpire will come from new applications or new markets like voiceover LTE and even RCS. But it's 2014, where you start to see a bulk of the revenue growth coming from the trials that we're in, the four designs wins that we had in Q2. Those will start to roll on as we progress in '14. And the audio conferencing business will continue to be solid, if not grow in and of itself.

Steve Zaccone - *Needham & Company - Analyst*

Yes, and then and sticking with the trials, could you quantify how much of the trials are the MPX, the software only as being involved in? Because I know that's a recent launch, but can you discuss how many trials MPX is involved in specifically, or what the potential opportunity just for that, only that product only in 2014?

Brian Bronson - *Radisys Corporation - President & CEO*

Well, I would tell you -- so won't give specifics, but there is a good mix of MPX-12000 and MPX-OS, and it probably deserves a deeper conversation maybe even offline on why economically it doesn't make much difference to us. But again, good mix between leveraging MPX-OS to our channel partners with, again, shipping a fully loaded, highly dense MPX-12000 to our partners and even carriers.

Steve Zaccone - *Needham & Company - Analyst*

Great. I think that's all the questions from me.

Brian Bronson - *Radisys Corporation - President & CEO*

Thank you.

Operator

Thank you. (Operator Instructions) We have a question from Richard Valera with Needham & Company. Go ahead please.

Richard Valera - *Needham & Company - Analyst*

Thanks, guys. I apologize, I jumped on the call late here. So if you have answered this I'll apologize in advance, but I'm just wondering if you guys talked about expectations for cash generation or usage in the second half of the year and then I guess into next year?

Allen Muhich - *Radisys Corporation - CFO*

Yes, we did Rich a little bit in that we are going to be incurring some restructuring costs. We expect to, as we indicated in the call, we expect to save about $20 million over the next 12 to 18 months. We expect roughly a six-month payback on that investment and so we're going to be -- that kind of implies that we'll be investing $10 million to save that $20 million. About half of that cash will go out the door in the back half of 2013 and the balance will go out in early part of 2014.

So when those dollars go out the door in 2013, we do expect to consume modest amounts of cash in the back half of the year, which is why it was important to resign or revise our amendment with Silicon Valley Bank. They have been very flexible with us and we've got very flexible terms to be able to provide us the cash and liquidity that's necessary. And then in 2014, as the savings begins to be realized, we will have 12 months to realize the benefits from that, realize the growth from our software solutions revenue, realize the improved profitability in our platforms business to have ample cash to be able to satisfy the notes that come due in early 2015.

Richard Valera - *Needham & Company - Analyst*

That's very helpful. Thank you, Allen. And one more, on the Software and Solutions I thought when I hopped on, Brian, that you were saying you were expecting 15% to 20% growth for the entire Software and Solutions business this year. Is that accurate?

Brian Bronson - *Radisys Corporation - President & CEO*

For the second half and then there was a question that talked about could you grow for the full year. So where we're at is we fell a little bit short from a growth perspective in the first half and lot of it, frankly, Rich, was myself getting my head around the timing of true launch and ramp inside the business. But what we are saying emphatically is that MRF and really the Trillium business, both of them have a shot of growing 15% to 20% and maybe even more. So I feel very, very good about the bookings increase that we've seen on the Trillium side and feel very, very good about the early start frankly that we've got here in July to being able to hit the second half MRF numbers.

More work to do, but overall for the year I'm feeling pretty good about hitting expectations in general relative to what we set out at the beginning. But again, on the MRF side might fall a little bit short of that 20% growth for the full year. And in 2014, we're still planning on 20% growth plus because of the trials that we have in place, the wins that we have and the design win, the traction that we're seeing, and then we separately talked about the platform side when -- before you jumped on.

Richard Valera - *Needham & Company - Analyst*

Okay that's helpful. Thanks, gentlemen.

Operator

Thank you. (Operator Instructions) We have no further questions in queue.

Brian Bronson - *Radisys Corporation - President & CEO*

Okay, very good. Well, thank you again for participating in the call and I look forward to providing another update to you in October. I appreciate all your support and the confidence. Have a good rest of the day.

Operator

Thank you, and ladies and gentlemen that does conclude our conference for today. Thank you for your participation and for using AT&T Executive Teleconference. You may now disconnect.
