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RC2 Corporation Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) We'll take our first question from Todd Schwartzman - Sidoti & Company.

Todd Schwartzman - Sidoti & Company.

Can you talk a little bit about the operating margin; if Publications vis-à-vis RC2, as it is currently configured?

Curtis Stoelting

Again we are not in a position to give specific guidance in terms of those numbers, but their margins are in line with our targeted margins, so mid to high teens is what we're looking for there.

Todd Schwartzman - Sidoti & Company.

Okay. And with the maintenance of 2008 EPS guidance, what are you now expecting in the way of interest expense in the back half of the year?

Curtis Stoelting

On our core business, our net debt is roughly, I don't remember what it was exactly at the end of the quarter, roughly \$50 to \$60 million. Interest rates have been stable, so we don't see any big change. Obviously, once we close the acquisition, then we'll have a new debt structure and we'll be happy to update that upon closing.

Todd Schwartzman - Sidoti & Company.

Okay. Switching gears for just a minute, have you received the final approval as yet on the settlement in the Barrett case?

Curtis Stoelting

In the Barrett case and just to broaden that out a little bit, that's one of the class action lawsuits related to the recalls from last year. We are in the final stages of the settlement process. I believe all the notifications have gone out that are required through the court direct settlement, and we believe that the settlement will be finalized late third quarter.

Todd Schwartzman - Sidoti & Company.

Okay. How much of that cash will insurance cover roughly?

Curtis Stoelting

What we said in the past is we are pursuing recovery. We have not recorded any offsets. At this point we've factored in all of our expenses and any recoveries we get would be pluses to that.

Todd Schwartzman - Sidoti & Company.

Okay. Great, thanks.

Operator

We'll turn now to Sean McGowan - Needham & Company.

Sean McGowan - Needham & Company

Thank you. Curt and Pete. Can you give a little bit more specifics on where you saw increases outside the U.S.? There were some pretty robust sales increases; specifically what products were driving that and what geographic regions?

Curtis Stoelting

Sean, I'll talk about the regions and Pete can speak to the products. In terms of the regions, we saw pretty good results again in local currencies in pretty much all the markets we serve, with particularly good performance in Australia and Europe. Asia continues to exceed our expectations. To have that level of overall sales increase, we're pretty much happy with performance in all of our markets.

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