Seeking Alpha

Dollar Thrifty Automotive Group, Inc. Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Our first question comes from Chris Agnew of Goldman Sachs.

Christopher Agnew – Goldman Sachs

Just touching on what you recently just said about rent revenues down 1% to 2% for the full year, I mean I think recently back in June you were talking about promising advanced reservations for the peak summer travel. Given your running together fleet is the full year expectation you've just given more driven by the first half of the year, and how does it play out with what you're currently seeing?

Gary Paxton

I think you can look at our first half of the year performance that we've already reported on those trends and if you look at the first half, what are we down now?

Scott Thompson

We're down 1.3% in total revenues in the first six months.

Gary Paxton

First six months, so we're looking for the back half to be pretty consistent with the front half.

Scott Thompson

It'd just give you maybe a little more detail on that. I think if you're looking at the third quarter, we would expect it to be solid and similar to last year and we're probably anticipating and are anticipating some weakness in the fourth quarter that would bring that average more in line with 1% to 2% down.

Operator

Our next question comes from Michael Gallo of CL King.

Michael Gallo – C.L. King & Associates

I wanted to discuss the depreciation cost, obviously up 28% in the quarter. The guidance implies, I think it was 15% or so up the year, which implies flat in the back half. Given that the year throughout the year has been much, it's kind of been much higher than you expect and certainly the use car market doesn't look it's gotten any better. What gives you the optimization that the second half of the year that there’s going to be such a significant improvement on a deprecation for vehicle basis? Is it something that you’re seeing change? Is it that you trued up a lot of the depreciation already or just help us as to why it looked the second half of the year would be somewhat flattish.

Scott Thompson

Okay, let me give you a little more granular information on that. Our perspective is that we would expect it to be for the year up 15%. We would expect in the third quarter, we probably will continue to have some inflation or negative trend on depreciation and we would expect the benefit coming through in the fourth quarter. Now your question is: Well why do we think that? If you remember last year, we held the GDP card, which are the more expensive cars, in the fourth quarter longer than we traditionally would. That would be one factor which is making us feel confident about the fourth quarter fleet cost. The second is the extension of the fleet will receive most of the benefit in the fourth quarter, that would be the second part of the benefit, and I think we’ve gotten a little more intelligent about our buys from our newly formed business intelligence group and I think we’re buying vehicles a little more prudently than we might have in the past.