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## Lexmark International, Inc. Q2 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator Instructions) Your first question comes from Min Park - Goldman Sachs.

#### Min Park - Goldman Sachs

You noted that Lexmark saw another quarter of healthy supplies growth from your Laser segment. Can you tell us if this growth is driven by higher usage within your installed base or were you impacted by fluctuation in channel inventory? And if you can give us a sense of what your overall supplies channel inventories look like right now, that'd be helpful.

#### Paul J. Curlander

As we look at the second quarter, we saw strong growth in laser supplies. There was a slight growth in channel inventory, but I don't think that was the major factor. I think we had strong end user demand. Some of this occurred because of the - we talked last time about the unusual timing of Easter into the first quarter. We saw an impact in Europe, where we had less ordering right at the end of the first quarter and some of that rolled over into the second quarter. So for the first half overall, we're about where we expected to be but a little more supplies ended up in the second quarter than the first quarter. But again, overall end user demand was good on the laser supplies.

Channel inventories, as I indicated, the laser supplies were up slightly as we went from the first quarter to the second quarter. Inkjet channel inventory supplies were down as we went from first quarter to second quarter. Overall, as we look at the channel inventory, from our perspective, you know, we're not expecting to see much material movement in the third quarter on channel inventory. Sometimes we get surprised by that but, overall, to us it looks about right.

#### Operator

Your next question comes from Tony Sacconaghi - Sanford Bernstein.

#### Tony Sacconaghi - Sanford Bernstein

You bought back about 5% of your shares outstanding this quarter. Can you comment on what your ending diluted share count was, and then can you comment on ultimately what established that level of buybacks and whether it's reasonable to continue to expect buybacks at a similar level in the second half of the year?

**John W. Gamble Jr.**

Sure. In terms of the second part of your question, you know, Tony, you know what we did in the last quarter and certainly we did execute the borrowing and increased our debt by \$500 million, effectively increasing our U.S. cash. Our policy continues to be to repurchase with excess U.S. cash. However, in terms of giving specific forecasts about the pace or specific levels of repurchases in a period, we really don't do that.

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