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Landstar System, Inc. Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Justin Yagerman - Wachovia Capital Markets.

Justin Yagerman - Wachovia Capital Markets

My first question is looking at the quarter as a whole, I would be very curious to find out how much of the quarter was done in June. Our sense from our channel checks has been that June was an exceptionally strong month and that's really when the capacity started to tighten, spot pricing got a bit tighter and I would be curious to get a sense from you how that moved through the quarter, and I guess how that's progressing now that we're in July.

Henry H. Gerken

Well, I will start at the back end. July, historically, the first couple of weeks is very slow. So I really can't take much out of what occurs in the first two weeks. You've obviously got plant shut downs and things going on so it's hard to make any value judgment from what happens in the first two weeks in July. I think that's pretty consistent with what we've seen in other Julys.

But as we worked through the second quarter I think we saw a gradual build starting in May, but June clearly was a very strong month. As I've said at the mid-quarter update, flatbed capacity has been tight all along and van capacity started to get tight in June. So, in general, as far as the progression of the quarter I think that's what occurred. I think if historically you look back as far as how the quarters went, again, it's starting in mid-May and closing up in June, historically is strong. And I think people are thinking it was stronger than normal because we have been so used to the weaker environment. But, yeah, it was strong.

Justin Yagerman - Wachovia Capital Markets

And focusing on the broker division, when you look, obviously purchased trans went up, when you look at just the broker division, how would you compare the gross margin in that division to how you would have expected it to react, and from a capacity standpoint is it taking you longer to cover loads in the broker division? And how are you doing at sourcing the capacity that you need on that end of the business?

Henry H. Gerken

Well, clearly it is more expensive to, or had been more expensive in June and May, to get a truck. Trucks weren't, unless the pricing was right, they didn't want the haul. So the gross margin was hard

because we were paying more for the truck. On the other hand, we were able to basically get price increases and you can see from the revenue per load numbers, pricing was pretty strong.

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