



Chesapeake Corporation. Q1 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you, Mr. Mostrom. (Operator Instructions). We'll take our first question from Todd Vencil with Davenport & Company.

Todd Vencil- Davenport & Company

Thanks very much. Good morning.

Joel Mostrom

Good morning.

Todd Vencil- Davenport & Company

On the letter and the proposed lending package from GE, congratulations, by the way that's good news. Will it effectively cure the sort of covenant issues that you guys are seeing the past couple of quarters?

Joel Mostrom

Todd, yes, it will. The plan is, is to close on that financing by the end of June. And if, in fact, we do consummate that transaction, that will take care of our covenant issues.

Todd Vencil- Davenport & Company

Okay. And, I understand that's a secured facility and, therefore is presumably much broader in terms of requirements that there are any. Can you talk about what type of covenants, in terms of leverage and coverage and things like that maybe associated with the proposed new package?

Joel Mostrom

Todd, at this time, pricing and terms are confidential until closing. However, we believe the terms of the facility are very competitive.

Todd Vencil- Davenport & Company

Is it fair to say that in terms of the covenants, or any covenants that may be applicable will be much more broad than the one you're currently working with?

Joel Mostrom

We're comfortable with the negotiated terms of the new facility and our ability to comply with the covenants.

Todd Vencil- Davenport & Company

Fair enough. And then, you're sort of number three priority, which is selling non-core and under-performing assets, can you help us understand kind of the magnitude in whatever way it might be useful of how to think how much might be being looked at here, in terms of your assets?

Andy Kohut

Todd, this is Andy. It would be premature to provide that type of speculation in the market. But, what I will tell you is that we remain committed to paying down debt. And we also remain committed to exiting in one form or another under-performing or non-core assets.

This same challenging financial market that made it difficult from a refinancing standpoint has made it more time-sensitive regarding when assets can be sold. So, it's taken longer than we had hoped; but we are actively pursuing those types of activities.

Todd Vencil- Davenport & Company

Fair enough. And then, I believe you sort of reiterated what you said before, which is that the operating performance, excluding special items, you still think is going to be better than last year? Did I hear that correctly?

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