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Coinstar, Inc. Q1 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions)

Your first question comes from the line of Simeon Gutman – Goldman Sachs.

Simeon Gutman – Goldman Sachs

Brian, to follow-up on your comments regarding the back half of the year with more installs, the EBITDA margin this quarter was around the 18% range and I think if you back in to what the rest of the year it is about 15 and change. I just want to confirm that is entirely to reflect greater installs. If it isn't is there anything else on the cost side or is there conservatism that is being built into the rest of the year forecast?

Brian Turner

We reflected a couple of things. One, you are correct, it is more installs. We are planning the negative EBITDA on the first year of installations. That is true on Coin and other kiosks. That is one built in. We have also counted on fuel costs staying high through at least the summer months and so we believe fuel costs will stay high. In addition to that we are factoring in that the Chinese currency will continue to stay strong against the U.S. currency so we have factored in that. Therefore we think the cost of Chinese handling and Chinese warehouse and freight costs will continue to stay high. So all of those factors went into our thinking. That is offset by the increases in other things that is happening through the business or synergies we are achieving through greater revenues. So you combine that all together and that forms the EBITDA guidance for the year.

Simeon Gutman – Goldman Sachs

On the Coin business and again related to the comments that you are not seeing cannibalization, back to that chart that you provide which is telling and has been pretty telling over the course of history, how do you reconcile how this quarter played out? Is it just a continued lag given the amount of volume that is being added to the system? Otherwise the chart would have suggested we might have seen a slight bounce back in same store comp.

Brian Turner

You are absolutely correct. You see that in other parts of the chart where you may have a one quarter lag but overall the trends continue. We put in a lot of units in the third quarter of last year and I think

we are seeing that effect still in the short term. So, I'm not too worried about where the chart is right now. The overall trends still continue to hold as far as cannibalization.

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