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Brookfield Homes Corporation Q1 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you, sir. (Operator instructions) Our first question today comes from Joel Locker of FBN Securities.

Joel Locker – FBN Securities

Hi, guys. Just wanted to talk to you about, I guess, your lot sales and what do you target for 2008?

Paul Kerrigan

I think in terms of lot sales, Joel, I think our expectations aren't that great. You can see we sold 18 lots in the first quarter and we have some contracts where we expect to sell lots, maybe 50 to 100, right? But over and above that, I think we'll just take the market as it comes and look for the demand. But, I would suspect that's probably 2009.

Joel Locker – FBN Securities

Right. And if you back up a 15.9% for the housing gross margin, does that leave with you \$2 million loss on the \$3.3 million of land sales this quarter?

Paul Kerrigan

No. The margin on land sales were basically breakeven and the gross margin, when you take out the impairments of \$6.2 million, was approximately 15.8%.

Joel Locker – FBN Securities

15.8%, all right. And just, I guess, one other question on just the SG&A. I noticed it was flat year-over-year, and just wondering if there's anything you can do there to lessen it on a dollar amount because I guess it's up to 25% or so of the housing revenue?

Paul Kerrigan

I think we said previously, our run rate on the sales and marketing is around that \$15 million, \$16 million range. We obviously have reduced our staffing levels but, on the sales side, we're probably spending a bit more to achieve the sales. But, we'll continually try to reduce it.

Joel Locker – FBN Securities

Right. All right. I'll jump back in the queue. Thanks.

Operator

Our next question comes from Alex Barron of The Agency Trading Group.

Alex Barron – The Agency Trading Group

Hey, guys. How are you?

Ian Cockwell

Very good.

Alex Barron – The Agency Trading Group

Wanted to ask you, what's the balance on the revolver this quarter with Brookfield Asset Management?

Ian Cockwell

The balance is \$202 million.

Alex Barron – The Agency Trading Group

Okay. Now, as far as the way you guys calculate the net debt-to-cap ratio, what's the current number and what exactly goes into that calculation?

Ian Cockwell

In our supplemental, Alex – I guess it's posted on the Web site. I think we put it in there, don't we? It's not calculated there, but the definition isn't [ph] there. Our total debt – and I'm just reading the definition here for you – total debt minus cash, divided by our net debt, plus minority interests, plus stockholders' equity. So it's pretty straightforward I think. Just net debt divided by total debt, plus minority, plus equity.

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