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## Spanish Broadcasting System, Inc. Q1 2008 Earnings Call Transcript

### Question-and-Answer Session

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**Operator**

Thank you. (Operator instructions) Our first question is coming from David Joyce of Miller Tabak & Co.

**David Joyce – Miller Tabak & Co.**

Thank you. What were the drivers of the expense increases at the radio division that was greater increase in SG&A on the programming side?

**Joseph Garcia**

It was primarily marketing and advertising in first quarter. And also, some investments in programming that increased expense in the first quarter in radio. The markets were Puerto Rico, New York, and Chicago.

**David Joyce – Miller Tabak & Co.**

It was marketing for the new programs that kicked in?

**Joseph Garcia**

Yes, we introduced a new program in Chicago and new talent. New programming in Puerto Rico – two new programs in Puerto Rico including a launch of a new station, the all new station on FM, and marketing expenses in New York City.

**David Joyce – Miller Tabak & Co.**

On the new TV affiliate in Puerto Rico, what was the reason for their change in their programming? What did they have before? Was there an ownership change or something there?

**Raúl Alarcón, Jr.**

No. There was no ownership change. There continues to be the same owner. This gentleman was programming primarily music videos round the clock, and thought that this programming, which is doing so well in Miami, would be more appropriate for the audience in Puerto Rico.

**Cynthia Hudson Fernandez**

It is also, the channel since it was launched on DIRECTV has become one of the top-five channels on DIRECTV in Puerto Rico. So they jumped on becoming our broadcast affiliate in the market before anybody else would approach us. So, first out of the gate, we decided to go with them. They have a very strong signal and they have a great call letters, WSJU, which is basically like San Juan. So, we're taking advantage of our strength and popularity with DIRECTV. I think DIRECTV has proven for us to be a calling card, if you will, for opening new opportunities in other markets and we're evaluating all of those opportunities at this moment.

**David Joyce – Miller Tabak & Co.**

Thank you.

**Operator**

Thank you. Our next question is coming from Robert Burgin of Post Advisory.

**Robert Burgin – Post Advisory**

Good afternoon, Raúl, Joe. With respect to your radio expense increases, you gave us guidance for the second quarter in terms of revenues, but you didn't give us any suggestions as to what expenses might be. And it appears to be a significant expense increase in radio during the first quarter. I'm sure it is part of a well-thought-out, long-term plan. Should we anticipate those expenses to be high for the remainder of the year, representing some kind of strategy shift? Or should we expect some kind of normalization in expenses?

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