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RC2 Corporation Q1 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Tony Gikas - Piper Jaffray.

Anthony Gikas – Piper Jaffray

You provided an update on earnings guidance for the year, any update on revenue guidance? Maybe even more specifically, looking at the second quarter, does that look a lot like the first quarter? Maybe you can help us a little bit with the quarterly move? Then, what is the average price increase?

Curtis W. Stoelting

In terms of the outlook, we think that seasonality always plays a big part in this and we don't see any major changes in ordering patterns happening until the second half of the year. Now, that could change next week but based on everything we know up to today I would not expect a change in the cycle in the second quarter. Top line is not our main focus this year, we're really focusing on the bottom line which you got that in my comments and Pete's comments as well so that's really what we're most interested in this year and I think we're really going to focus more on new and top line growth for 2009 and beyond. We're not giving up on top line growth, we still think we have a great ability to grow organically and through acquisitions but in the current environment I think our focus is properly on cash flow and profit. Was there a third question for you Jody?

Anthony Gikas – Piper Jaffray

Average price increases for the year across the board?

Curtis W. Stoelting

Average price increases again, it's typical to do because of our new product and product line extensions, we built those in to the pricing, for our existing products I would say that we've averaged somewhere in the mid single digits, some categories more, some categories less. But, that's what we've averaged on a full year basis. And again, the vast majority of those are taking place April 1 and July 1. I think our teams did a good job based on everything we had available to us.

The problem that I see and I think others see is the cost increases in China just keep coming. We tried to anticipate those as best we could but you look everyday and the price of oil and resins is continuing to be at record levels and of course, it's well documented that all the other labor, tax, currency costs challenges that continue to increase and obviously impact the cost side of the

equation. Overall, I think we did a good job and I think we'll see how it all plays as the sales and the mix really comes in the second and third quarters.

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