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## Packaging Corp. of America Q1 2008 Earnings Call Transcript

### Question-and-Answer Session

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Thank you. [Operator Instructions]. Our first question comes from Richard Skidmore of Goldman Sachs.

**Richard Skidmore - Goldman Sachs**

Good morning, Paul. Just follow-up, you talked a lot about the cost side of the equation in your comments, but didn't touch on sort of the revenue side. You mentioned box shipments might... would be up in the second quarter, but you were out there with the price increase in March. Can you just talk about what you need to see in order to see the prices move higher from here? And what if you don't get any of [ph] that price in the second quarter?

**Paul T. Stecko - Chairman and Chief Executive Officer**

Well, I will just go back a little bit. One, you talked about the revenue side, we did have all-time record revenues in the first quarter this year. So, we're kind of happy about the revenue side of the equation, and as I said earlier, our demand we thought was pretty good. It was comfortable with the strong level demand we have seen in the last few years. So, you are right, on the demand side and the price side, it was an acceptable quarter. And on the cost side, we're like everybody else. Escalation of key cost elements hurts. Fortunately for us, we are not hurt as much because our low dependence on certain of these cost elements.

I can't for antitrust [ph] reason give any forward pricing type guidance on a call like this because you just can't do that. But I will say that I was very disappointed that our price increase did not materialize in the timeframe that it was announced. And the reason for that is when you reflect and you look at the situation, we have an industry that's running 97% of capacity, and our inventories are at historically all-time low levels. And in the past they were the facts, they drove pricing actions, and that didn't happen this time and I was little disappointed in reading some of the dialogue in one of the publications that reports on price that some brokers and independents, primarily in the North East, said, hey, papers not that tight. It was what they said and it's just hard for me to believe when you are at 97% of capacity and inventories are at all time low levels, that's not an environment that we could have had a better result.

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