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Genius Products Inc Q42007 Earnings Call Transcript

Question-and-Answer Session

Operator

[operator instructions]

Your first question comes from the line of Rich Ingrassia from Roth Capital Partners. Please proceed.

Rich Ingrassia – Roth capital Partners

Thanks. Good morning everybody.

Where was the majority of the revenue shortfall in the quarter, I guess by category, either TWC theatricals, direct-to-video, or non-Weinstein distributed content? And was it competition or was it general market forces there?

Trevor Drinkwater

The 4th Quarter, as we said, represented 40% of our business, which is pretty typical for the industry and a majority of that happened, really, from Thanksgiving to the end of the year. So, what happened to us really kind of—a few things happened. We had pretty aggressive forecasts on our catalogue through that period of time—so really the last six weeks of the year—and we were off about 15% to our projections. We still had significant growth but not to a level we thought we were going to have. We also had a very significant program with a new partner that was cancelled at the last minute that was supposed to occur in the last week of December, so that had a big impact. And we decided to move a significant amount of direct-to-video titles into 2008. So those are the three things that really drove it. You now, catalogue shifting and then just a canceling of a retail program.

Rich Ingrassia – Roth capital Partners

Okay. You can't say who that partner is?

Trevor Drinkwater

No, I wish I could.

Rich Ingrassia – Roth capital Partners

Okay.

Trevor Drinkwater

It was a new partner; it didn't come together at the last minute.

John Mueller

We hope something may come together with those guys here shortly.

Trevor Drinkwater

Yeah, it looks like we'll be able to do something with that partner in 2008 but it's not confirmed yet. This is an opportunity that came to us last minute and then at the last minute it went away.

Rich Ingrassia – Roth capital Partners

Okay. And then, John, maybe a little more about the write-off. What specific . . .

Trevor Drinkwater

Lost you there, Rich. Did we just loose Rich? Steve, are you still on?

Steve Bannon

I'm still on, yes.

Trevor Drinkwater

I think you were going to say what specific titles did it relate to; I'm not sure. But if you look at—and we said in the presentation—we tried to provide a lot of detail in the presentation and we hope that it was helpful as we were walking you through it—we really have shifted our business dramatically toward managing our big relationships: with The Weinstein Company, with a tremendous of direct-to-video content that's coming from them, and we believe a very strong theatrical slate that will hit us in the second half of this year and into the first half of next year; as well as the opportunities that have arisen with our branded partners like Sesame and WWE and Classic and ESPN and others. What we have found is that we have a real opportunity to expand our relationship with these partners and move into other businesses with them, as well as moving into other businesses, as we mentioned, like digital and video games.

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