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Dollar Thrifty Automotive Group, Inc. Q4 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Our first question comes from Michael Gallo - C.L. King.

Michael Gallo - C.L. King

On the balance sheet, sequentially, the fleet grew Q3 to Q4. I was wondering if that was a function of the delivery delays from Chrysler. Whether that also had a working capital impact on your cash balances in the quarter?

Steven B. Hildebrand

At the end of the year, we had a lot of vehicles at auction. We had a lot of program vehicles returns in December and those, of course, remain on our balance sheet till they're sold. So, the operating fleet was slightly ahead of our plan due to some of the delivery issues. But in terms of the net book value, that was a little inflated more due to the timing of a lot of program returns late in the year that were still at auction.

Michael Gallo - C.L. King

Any sense for what impact the timing that that had on the cash flow in the quarter? Because it would seem otherwise that the cash burn would have been significantly greater than what we normally would have seen in the fourth quarter?

Steven B. Hildebrand

I don't think that had a significant impact on our working-capital cash.

Michael Gallo - C.L. King

Around the industry in general, obviously, we've seen, in the last year or year and a half, you've seen some significant industry consolidation and it didn't look like it really manifested itself in 2007 in a better environment. I was wondering if you can comment on what you think drove that.

It seemed the industry throughout 2007 seemed to be under-fleeted in the peaks and way over-fleeted in the trough. I was wondering if you can give us some color on, one; how you intend yourself to operate differently through 2008 and whether you still believe the consolidation ultimately should manifest itself in a more benign competitive environment?

Gary L. Paxton

I'll give you my opinion from experience and what I've seen in this business. I believe that the change in the industry from a majority of the rental units being program or buyback units to the majority of the cars in the fleet being risk units has had more impact than the consolidation of the industry in 2007.

When you step back and reflect on 2007, it was the first year we'd really felt the full impact of the majority risk fleet in our operations. And I think that's resulted in some difficulty in the industry in adjusting its fleet and balancing it as quickly as it did in the past when we had all of these, basically, guaranteed depreciation cars that we could turn back in when we were coming off the peak and when we could get a better supply of cars going into the peaks knowing that you could get out of them quickly.

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