www.bnet.com | The go-to place for management

BNET

Seeking Alpha α

Cal Dive International Inc. Q4 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). Your first question comes from the line of Jim Rollyson with Raymond James. Please proceed.

Jim Rollyson - Raymond James

Good morning, guys.

Quinn Hébert

Hey, Jim.

Kregg Lunsford

Hey Jim.

Jim Rollyson - Raymond James

Could you possibly talk, you gave pretty good guidance here on ranges for EBITDA and earnings. Could you maybe talk just kind of high level thoughts on revenues and particularly on margins? Obviously, I think Owen mentioned earlier that you presume that margins are going to come down a little bit. Can you just kind of give us your thoughts on how things look maybe this year versus where they were last year?

Kregg Lunsford

Sure. I think if you guys look back at the revenue we've generated and historically that Horizon has generated, you would look at us on a pro forma basis, probably exceeding a billion dollars in revenue. There is some inter-company revenue elimination that exists when you put the two companies together because we'll be working jointly on projects. So, we think we will be close to a billion in revenue, so maybe 900 to a billion.

One thing we learned during the Horizon transaction is that their management team told us they are a lot better at projecting their gross profit than they are the revenue because there are so many variables in the construction contracts they've taken. So, whether you have to procure a pipe and have third-party engineering cost push their contract versus whether your customer decides to handle that themselves can cost pretty wide swings in the value of a contract. But in any event, directionally, that's kind of where we intend to shake out.

On margins, I would say also as a result of the blending that's going on here, because of the construction barge market as you guys know, typically has had lower markets than a pure diving company would have – margins than a diving company would have. And that's because of this procurement and third party passthrough costs, which I said earlier, is about 10 to 15% markup.

So they have blended margins or they have margins typically in the 25 to 30% range. So I think on a blended basis, if you look year-over-year on our performance, you would expect a 5 to 7% lower gross margin for the combined company going forward.

Jim Rollyson - Raymond James

Copyright © 2008 CNET Networks, Inc. All Rights Reserved.