

Seeking Alpha α

Core-Mark Q3 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Our first question comes from [Blaine Marter] with [Lobe] Partners.

Blaine Marter - Lobe Partners

Mike, in your initial statements, you clearly sound a little bit excited about your prospects for 2008, and so two questions about that; first on the revenue side, you said up 8% excluding -- leaving everything else constant. Well, if I don't leave everything else constant, should I assume that the core business ex your recent contract wins has some amount of organic growth in them?

J. Michael Walsh

One would certainly think so. Those were two or three very specific opportunities that we got, but rest assured, we plan to grow the business outside of those three opportunities.

Blaine Marter - Lobe Partners

Okay, terrific. And with the top line growth, can you achieve, at least holding the margins flat, such that that will carry into operating income growth, if not maybe get a little leverage on the operating side?

J. Michael Walsh

Well, yes we do. We will certainly be planning our year to do just that, as that's the model. We grow our revenues, we hold our operating expenses to something less than our revenue growth and it has wonderful effects on the bottom line. So we are certainly planning to do that.

Blaine Marter - Lobe Partners

Okay, but between Canada and MAPCO, what is the mix going to be in terms of cigarette versus food, non-food? Are those revenues going to be as efficient, if you will, on the gross margin side as just your normal everyday business?

J. Michael Walsh

Fair enough. The Toronto division I think is separate from what I would say about everything else in the business. The Toronto division is a start-up. We have basically one contract, an anchor tenant,

if you will, with [Cushtar]. Now, we are going to be spending the first quarter pretty much devoted to having a smooth rollout so that all the stores are -- the service is great.

The degree to which we are successful in Toronto, however, will depend upon our ability to grow independent sales and other chain business. And as those sales come online, our profitability -- that's when our profitability will start to be impacted favorably.

The key to Toronto in my mind was not only being able to partner with Elaine Bouchard in this venture but it really positions us to take, to have the platform in Ontario where most of the population is, to service the other national chains in Canada, like Esso and PetroCan and so forth. That really -- as those contracts come online and if we are successful in -- and we'll always have to compete for the business, but we are pretty optimistic about our ability to compete because at that point, we become more of a one solution for the big chains in Canada.

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