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CTC Media Q3 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). Your first question comes from Sohail Ahmer of Lusight Research.

Sohail Ahmer - Lusight Research

Hi. I really wanted to get an understanding of the impact on revenues of the limited advertising time in FY '08. Would it be correct to assume that, with limited advertising time, the total ads spent would be distributed so that your revenues are unaffected or do you see your revenues getting affected negatively?

Nilesh Lakhani

Hi, Sohail. I think in terms of 2008, we will see probably a 15% to 20% reduction in TV ad inventory across all the networks in Russia. And in that regard, obviously, what we expect to see, and which Video International and others have come out with an estimation of, is that the price is supposed to increase in the 50% to 60% range. So with that, what we expect to see is, even despite the decline of the inventory, we fully expect the market to absorb the price increase which, essentially, will result in what has been forecasted as: a roughly 27% to 30% increase in the overall TV ad markets, depending on whether you look at in rubles versus dollars. Rubles being 27% may be in dollars, around 30%. So we do not expect that to negatively impact revenues in the industry.

Sohail Ahmer - Lusight Research

Are there any effects you see on your cash flows as a result of this change, or are you basically saying its going to be business as usual?

Nilesh Lakhani

No, I think it will be business as usual. And this time, as opposed to when the first impact of the ad law affected us, some of you might remember it was several months, as we were going on our Roadshow on the IDO. The market absorbed that, as we had thought, pretty well and this time we are less worried about it to the extent that the market has had a lot of time to look at the situation. And what we're also seeing is that there's tremendous strength in terms of the advertising market in general, so that we do not see any issues with that price increase being absorbed next year.

Sohail Ahmer - Lusight Research

Great, and just finally, what would be your guidance for CapEx in FY '08?

Nilesh Lakhani

We haven't specifically given our guidance, but I will tell you our CapEx, because of our business model, runs fairly low. In this past couple of years it's been around 3% or less in terms of revenue, and in the foreseeable future we don't expect that to change.

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