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Hollywood Media Q3 2006 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). Your first question comes from Richard Ingrassia with Roth Capital. Please go ahead.

Richard Ingrassia - Roth Capital

Thanks. Good afternoon everybody.

Mitchell Rubenstein

Yes, hi, Rich.

Richard Ingrassia - Roth Capital

Mitch, I assume, Mary Poppins is a big show for the holidays -- correct me if that's not right. But, I know, you are probably a little gun shy when deciding what kind of inventory to expect after the Tarzan experience. Can you just comment I guess on advance buying in general, and how you gauge demand going into the busier periods?

Mitchell Rubenstein

Well, we have a very sophisticated methodology for determining which shows to buy. A show will be very popular like a Mary Poppins, but we buy with a focus on weekends and Thursday performances which we know will be in high demand, especially during the holiday periods. In terms of inventory, just to kind of discuss it for a second, at the end of Q3 2005 unsold inventory only represented \$67,000. So, at the end of -- so, just as a -- so, it's a -- it's not a big part of our cost structure. So we are very good at managing our inventory and we typically have significantly more demand, particularly in inventories than supply. So, it's really getting more inventory, and with more cash we are able to increase inventory, especially for the shows that have highest demand, like Wicked and so on. So, we are now sitting on about \$3.6 million of ticketing inventory, and when you look at the level of inventory that goes unsold, that's really almost de minimus as a percentage. We also have insurance where the customer pays us a fee, and that generates almost a million dollars of EBITDA for the company and almost all the inventory left at the end of a particular period that's unsold represents inventory return from insurance program, kind of, at the last minute. We only have a chance to resell it. So, I hope that answers your question. And yes, Mary Poppins, we expect good things for that, but we don't really speculate as much as invest in inventory.

Richard Ingrassia - Roth Capital

Thanks for the detail. Just one other question on expenses and maybe an update on operating efficiencies and from the move you made in the last year or so. Are we getting close to what you would call a steady run rate for operating expenses at quarterly run rate?

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