

The logo for Seeking Alpha, with the text 'Seeking Alpha' in white and a gold Greek letter alpha symbol to the right, all on a dark red background.

Full Transcript of Multimedia Games' F4Q05 (Qtr Ending Sept 30, 2005) Conference Call — Q&A (MGAM)

Question-and-Answer Session

Operator

(OPERATOR INSTRUCTIONS). Bill Lerner, Prudential.

Bill Lerner, Prudential — Analyst

Just a quick question, two questions. One is just on New York. Just for clarification, can you give us a sense for when you do break even? My understanding was originally [the break-even point] was [going to be in] mid calendar '06, once you get Yonkers and Aqueduct [on line]. It sounds like one of those is early '07 now, or are other units backfilling it, which may get [you to] break even at the original expected time?

Clifton Lind, Multimedia Games — President & CEO

Yes, we expect to surpass a run rate of break even with the opening of the facilities that are scheduled to open by midsummer of this [coming] year. And then, it is clearly uncertain exactly when Aqueduct will come on, but we still believe it will come on in the first calendar quarter or slightly thereafter in '07. But we will be at a beyond break-even run rate by the time that the facilities that are expanding and opening this coming summer are complete.

Bill Lerner, Prudential — Analyst

Okay. Thanks. And then just a follow-up: back on the traditional Class II business in Oklahoma, obviously the units there—can you give us a sense for how many units were removed from that market? I may have—and I apologize if I missed it in the original comments. But despite the North Tulsa facility installations, the installed base was still flat, so I suggest that units are still, as you generally indicated, are coming out of there, but what is kind of the pace? What are the yields?

Clifton Lind, Multimedia Games — President & CEO

Listen, Bill, a lot of the units that [were removed] came out of one facility in California that has reduced the number of our Class II player stations there in each of the last two quarters, and will probably do so again. As you will recall, one of our facilities asked us to modify the games that are being offered in that particular facility in order to comply with requests from the state. That game has not been popular with slot machine players, and therefore the player stations really are not that profitable to us.

So that was a large number of the takeouts that we had. We continue to have machines dribble out that we lose to nonpublic competitors who are primarily playing keno games and predrawn games that we do not offer, and that dribbling we think will come to a halt as soon as we get this new platform out there. But Oklahoma was not the only market where we had the takeouts. In fact, the largest came from California.

This is not—we are leasing a system [for which] we will be provided fees that are based upon the success of the digital communications center. I'm glad you brought this up. These fees will be shown in the future in ?other income

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