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Packaging Corp of America Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Certainly. (Operator Instructions). Our first question comes from Mark Wythrop – Buckingham Research.

Mark Wythrop – Buckingham Research

Thank you. Paul, with your dividend yield now close to 7%, I guess there are two questions that come to my mind. One is exactly what is your comfort level with \$1.20 dividend that you're paying? And two, if you are comfortable with that, what is your thinking process when you have a lot of cash on hand and you have a lot of liquidity and the, basically, after tax, in terms of buying back stock, would seem to be extremely high at this juncture? So, maybe, if you could let us know where you stand on those two issues.

Paul Stecko

Well, we are comfortable with the dividend and we continue to buy back stock. Quite frankly, we earned \$0.35 last quarter despite rapidly rising cost and so, I think we're pretty pleased that we could sustain that level of earnings in spite of the cost pressure. I would say that, who knows where the economy is going and that's obviously the big unknown but based where things are right now, we think we're in a position to pay the dividend that we pay and buy back the shares that we said we would buy back.

Mark Wythrop – Buckingham Research

You mentioned you bought 150,000 shares during the third quarter. Have you been buying stock back in the early part of the fourth quarter, is that something that you can--?

Paul Stecko

There's a large stock so you are in a sense paying the 7% dividend every share we buy back, we're getting the 7% return too. Rick, you want to give an update on the share purchases through the first part of the month.

Rick West

Thus far, Mark, we've purchased 858,000 shares for \$16 million in the fourth quarter at an average price of \$18.89.

Mark Wythrop – Buckingham Research

Can you remind us how much additional you have on your share repurchase authorization?

Paul Stecko

About half.

Mark Wythrop – Buckingham Research

What is that in amount, I'm sorry?

Paul Stecko

It was a \$150 million program and we've got about half left.

Mark Wythrop – Buckingham Research

OK, then lastly, you mentioned you had \$148 million of cash on the balance sheet or had at the end of the quarter. How much of your debt was short term or how much of that \$148 million might you look at dedicated to paying down debt?

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