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Coinstar Inc. Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from T. C. Robillard with Banc of America Securities.

T.C. Robillard - Banc of America Securities

I just wanted to drill down just on a couple of quick things on the numbers. I guess, Brian, on the fuel, your comment, I want to make sure I understood this right, I think your comment said you guys saw an incremental \$750,000 expense above and beyond what you were expecting?

Brian Turner

Above the budget, yes.

T.C. Robillard - Banc of America Securities

Just when you look at the price of gas throughout the quarter on average seemed to kind of come down. I know a big chunk of your expense is around fuel, also include kind of shipping costs and things like that, but can you give us... I would have figured up to what happened in the last quarter and then what we've subsequently seen in fuel costs that... I was just surprised to see that come in much above where you guys were expecting. Can you just give me a sense as to kind of what changed through the quarter or what I might have been missing?

Brian Turner

So there's three components to petroleum costs for us. One is freight in for the toys coming in from China. That we book almost six months in advance, so there's a lag effect in that coming through. The second one is the actual polyester that's in the toy which we try to manage. Again, you're ordering 6 to 9 months out, so you have to look at petroleum price six months ago. Then the last one is fuel at the pump, which we saw. In the last conference call we said we expected to be \$1 million over budget in Q3. We actually only ended up to be \$700,000 over the budget that we had. That was because fuel prices as you noted came down during the quarter. The biggest decrease was actually in October so that of course wouldn't be Q3, that would be more Q4, so I think we'll continue to see benefit in Q4, but the shipping that we booked six months ago or the polyester we booked six months ago, there will be a lag effect on that.

T.C. Robillard - Banc of America Securities

So when you're talking against the budget, are you talking kind of on the budget you set in corporate budget at the beginning of the year or are you talking relative to kind of quarterly guidance?

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