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Leap Wireless International, Inc. Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) Your first question comes from the line of Philip Cusick with Macquarie. Please proceed.

Philip Cusick - Macquarie

Hi. Thanks for taking the question.

Doug Hutcheson

Hey Phil, how are you?

Philip Cusick - Macquarie

Good, thank you. I got to commend you on some record timing in getting through the presentation. Maybe we can start with. You talked about the deactivation, reactivation activity in the quarter. Can you quantify this for us? Is there an average number of days that customers are disconnected that you can talk about and that is got to be higher this quarter than it was in previous times?

AI Moschner

Actually Phil, this is AI Moschner. We look at that data pretty carefully and I would say that we have not seen really any change in behavior in that volatility that I talked about since the second quarter of '08. I mean, when we started to see that occur. Our suspicion composes is that as the economic conditions actually got a little worse and gas prices; some of the discretionary income has been affected. That we have seen customers come on and off the service, and they have used their existing handsets as a means to really reactivate and so we have seen a balancing effect of that over the last couple of quarters. I would say we have not seen any increase or decrease as a flat quarter-over-quarter activity as we looked at the data.

Philip Cusick - Macquarie

I thought that part of the explanation for up or coming down quarter-over-quarter was an increase in that activity. I was wrong there.

AI Moschner

There was actually an increase in the third quarter overall deactivations which is seasonal. Phil.

Philip Cusick - Macquarie

I see. Then there was another point in the presentation when someone talked about improvements in the business trends over the last six to eight weeks. Can you talk about that as well?

Al Moschner

Yes. That is really it is actually last 45 days to 60 days. We have seen an increase or improvement in our higher level rate plans as well as our tax rates on our bill times. That is an area which we have seen some erosion in again during this period of time and recently we saw improvement in that, and that has held.

Philip Cusick - Macquarie

Okay. Then one more esoteric question from me. You have been running the \$50 Cricket EZ phone for a few months now, I think three to six months now. I wonder if you see any difference in the conversion of that customer from walking in the door and buying the phone to becoming a paying customer over the next few months versus people have a little more skin in the game whether they come in at \$100 or \$150. Is that conversion rate consistent at the \$50 level as it is with other price points?

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