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Medical Action Industries Inc. F3Q09 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Matthew Dolan from Roth Capital Partners.

Matthew Dolan - Roth Capital Partners, LLC

Paul, just give us a little more on the concept of a transition year. It sounds like Q3 was a revenue trounce in your view. With oil coming back in, obviously price increases won't be necessary, but how are hospitals treating this new environment relative to their spending? Do you think that inherently they may look for price decreases going forward? And maybe you can give us some commentary as we have entered calendar year '09 here as to what you have seen. I am just basically trying to get some comfort around returning to actual growth in your near term sales outlook.

Paul Meringolo

Again Matt, I think there are a couple of things. This is no different than the days of DRGs. I mean hospitals are under pressure and some of the first areas they go to are product acquisition costs. It is the environment that we have lived in for along period of time. I don't think today is any different than the days in the 80's when DRGs came in to affect.

We have got to continue to remain king. We have got to continue to remain a low cost producer. If we were a 60%, 80% margin company selling the products that we had I would think we would have some real issues in having to go out and lower our overall costs, but we remain a highly competitive, low cost producer of high quality products. I believe that even if there is a slight decline in demand out there on a consumable side there are still enough opportunities for us out there to grow our business effectively.

I think a lot of this stuff that you are seeing here in some of the numbers is again some loss of business in businesses that were not conducive to the profits that we would want to see. Whether it is crutches, whether it is non-sterile products that we sell, there are a whole host of competitors out there that are willing to sell at 3% or 5% margins. These are pieces of business that we have raised prices and effectively the customer is pushed back and we have walked away from some of that low margin business. I don't think that is going to be the case on the bulk of our product line and the bulk of the volume that we sell today.

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