

The logo for Seeking Alpha, with the text 'Seeking Alpha' in white and a Greek letter alpha (α) in orange, all on a dark red background.

Rewards Network, Inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Gary Prestopino – Barrington Research Associates.

Gary Prestopino – Barrington Research Associates

Just one quick housekeeping question for Chris first, can you give me a breakdown of the interest income and the interest expense for the quarter and then what the D&A was for the quarter?

Christopher J. Locke

The D&A for the quarter was about \$1.4 million and give me a second to get the interest data. I'll chime back in, in one second with it.

Gary Prestopino – Barrington Research Associates

Then one thing I noticed was that the sales yield on the marketing services business year-over-year was down about 140 basis points. What accounts for that? Is it just that you have to give a better and rich deal to start getting more merchants in to this marketing services program?

Christopher J. Locke

The yield is down simply because we've lowered the price a bit but if you look at the member rewards we've reduced the cost of the members' rewards significantly. So, the overall net revenue on that program has increased from 47% in the prior year to 60% this year so our restructuring of the member benefits and improving engagement and the work on that side has allowed us to give some price back to the merchant which has helped us grow the merchant count in that program.

Ronald L. Blake

While equaling or improving margins.

Gary Prestopino – Barrington Research Associates

Then in terms of your merchant base, what is it about close to 10,000 now, right? Can you give us an idea of what the mix is there in terms of percentage which would be the lower price tickets versus the mid price to high price and how has that changed over the last year with what you're doing?

Ronald L. Blake

Gary, I don't have the specifics with me at this point but let me answer that in general. In the past there would have probably been a reasonable to moderate concentration in restaurants that had average ticket prices above \$75. Over the last year or so as we began the economy weakening and people becoming more conservative we significantly scaled back in that area.

The higher price restaurants in particular tend to have a significant amount of overhead they have to cover and as they saw declines in their dining activity, operating leverage cuts both ways and we had already made the decision to significantly reduce the amount of business we were doing in those segments. Overall, I think we were ahead of the curve on that, not that we completely avoided it.

Copyright © 2008 CNET Networks, Inc. All Rights Reserved.