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Midas, Inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) Tony Cristello, BB&T Capital Markets.

Tony Cristello – BB&T Capital Markets

Thanks. Good morning. One of the questions in this marketplace and in general, everyone is asking about debt and covenants, I just want to make sure there is nothing from that standpoint that you might be bumping up against. I know that you have accelerated sort of your thought on debt paydown. And I just want to kind of understand that a little bit better.

Bill Guzik

No, Tony. As I just said we are comfortably within our debt covenant levels. We have plenty of room. And we are going to make sure we stay that way by paying down debt for the first half of the year.

Tony Cristello – BB&T Capital Markets

And I mean with the stock at \$7 versus paying down the debt, is – how do you balance that? Obviously is, 1, in your mind more or a better return to shareholders and for the Company today by getting that debt down versus –?

Bill Guzik

Tony, I would say I'd think if the economic environment was a little bit more certain we might make a different decision in the short term about what to do. It's all based on the certainty of what is going to happen down the road. So we want to get the debt a little lower before we jump back into the marketplace and repurchase shares. We are not saying we are not going to do that, but our short-term priority is to try to take the debt a little bit lower.

Tony Cristello – BB&T Capital Markets

Okay.

Bill Guzik

I want reinforce again because you know we get this question a number of times about our position vis-a-vis, our bank covenants. We are in no issue and we have comfortable cushion across all covenants.

Tony Cristello – BB&T Capital Markets

Shifting gears, then, to pro care. It sounds like you – on the three stores on the West Coast and then the three stores in Chicago are having some good results. What I wanted to do is maybe dig a little bit deeper. You talked about gradual acceleration of the co-brand stores. Can you – can we maybe

talk a little bit about the economics that will be behind that? What is the cost of going into that store to fix it up so that you can have that co-brand product? And when you look at those revenue, those comps, where is that comp being – is it all – generated? Is it all being generated from the service side in terms of oil changes? Or is it – is that in fact driving more comp from brakes in some of the higher margin categories?

Bill Guzik

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