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DreamWorks Animation SKG, Inc. Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) The first question comes from the line of Jessica Reif-Cohen – Bank of America/Merrill Lynch.

Jessica Reif-Cohen – Bank of America/Merrill Lynch

Shrek the Musical when should we see the touring company impact the financials?

Jeffrey Katzenberg

It won't launch until the second quarter of next year. I don't know Lew when it will?

Lewis Coleman

You won't see much of an impact from the touring show because we will essentially capitalize the expenses. We estimate the expenses will be substantially less than the expenses incurred on Broadway and can probably give you some information on that as we get into the first and second quarter next year and have a better idea of what it is. It should have minimal impact until we release the show in Chicago.

Jessica Reif-Cohen – Bank of America/Merrill Lynch

So when the touring show finally starts to affect would it be like after more than one tour? How many touring shows do you need before you see an impact?

Lewis Coleman

What we have decided to do is bring up one touring show. It's first stop is in Chicago. It will play during the summer of 2010 and then it will start its tour around the country for at least the next two years. We haven't made a decision on the second touring show yet nor have we made a decision on the sit down show. I think the best thing to do in thinking about the touring show by itself is to think about it having no significant impact in 2010 and a positive impact in 2011.

Jessica Reif-Cohen – Bank of America/Merrill Lynch

You said something about SG&A will normalize in coming quarters. I'm just curious if you can quantify that?

Lewis Coleman

I can quantify it a little bit for you. At the end of the fourth quarter we had some large stock grants that were granted at the IPO which essentially vested and therefore were no longer carried as a 123R expense. Conversely, we have a new stock grant that I just told you about in renewing Jeffrey's contract which will start to accrue a 123R expense this quarter. My statement I think was that essentially the SG&A blipped down in the first quarter. A good chunk of that was the effect of no stock comp expenses or lower stock comp expenses. It will sort of make up that difference in the second quarter so we are urging you to sort of think about a traditional run rate, not the first quarter run rate in SG&A.

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