

The logo for Seeking Alpha, with the text 'Seeking Alpha' in white and a yellow Greek letter alpha symbol to the right, all on a dark red background.

Olympic Steel, Inc. Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. (Operator instructions) And we will take our first question from Mark Parr with KeyBanc Capital Markets

Mark Parr – KeyBanc Capital Markets

Hi, good morning guys.

Michael Siegal

Mark, hi.

Mark Parr – KeyBanc Capital Markets

I was just curious about if you could give me a little more color on the refinancing or the changes in your debt situation, is there any change in terms of how availability is calculated, or is there any change in the potential higher end of the availability?

Rick Marabito

Hi Mark. It is Rick. Yes, we – the agreement made a few modifications to the availability and then modified some of the – I call them the income statement covenants. So specifically on availability, the cap on sort of hard reserve was increased from a covenant of \$10 million to a hard cap of 20. So in essence there is \$10 million extra reserve that we can borrow against on the line size. So that was the main change to availability. And then on the income statement covenants, we basically got the fixed charge covenants, which would have been the one that would provide difficulty given the LCM charge. We got that pushed out and it won't be tested until made part of next year and in its place they put a EBITDA rolling test. So those are the main changes in the agreement.

Mark Parr – KeyBanc Capital Markets

Okay. And what is the new EBITDA rolling test?

Rick Marabito

The new EBITDA rolling test is a three month rolling test of \$5 million negative EBITDA.

Mark Parr – KeyBanc Capital Markets

Okay. So if you are below – was that on a trailing 12 month basis?

Rick Marabito

No. It is just a rolling three-month, so it builds up. April would be a one month test; May would be April and May; June, it would be April May, June, and thereafter it is a rolling three months test.

Mark Parr – KeyBanc Capital Markets

Okay.

Rick Marabito

Tested monthly.

Mark Parr – KeyBanc Capital Markets

Okay, all right. That is helpful. One other thing I was curious about, it seemed as if the gross profit margin ex the mark to market charge was a bit lower than what – at least it was lower than what we were looking for, I was just wondering you know given the fact that the largest customers had significant delta from smaller customers, is this a reflection of the profitability metrics of the larger customers that you have or was there a change in mix say to more service center business or was it a function of competitive market conditions, could you talk a little more about the profitability there from a gross profit perspective in the first quarter?

Copyright © 2009 CBS Interactive, Inc. All Rights Reserved.