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Warner Music Group F2Q09 (Qtr End 3/31/09) Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) The first question is from Bishop Cheen from Wachovia.

Bishop Cheen - Wachovia

Thank you for taking the question. Edgar, as usual, you gave us a lot of insight into your operations. I do have to go to a balance sheet question, though. The 9.5% discount -- cash pay in December, just please remind me again, the way your covenants work in the credit facility, will the cash pay aspect of them now be included in the calculation of interest coverage? And as I understand it, they still remain a holding company note and are not included in the calculation for your leverage covenant -- is that correct?

Steven Macri

The second part of that question, that's correct. Not included in [that debt]. As far as the cash calculation, once we begin to pay the cash payments in June of '10, they will start to be reflected on our average cash balance.

Bishop Cheen - Wachovia

Right, and they will be then in the calculation for interest coverage?

Steven Macri

No, they will not be.

Bishop Cheen - Wachovia

Not for interest coverage but --

Steven Macri

That's correct.

Bishop Cheen - Wachovia

Okay. All right, that is helpful. And just one quick follow-up, if you can give us some more color on the variable pricing and any of your digital distribution deals and because Apple's variable pricing

is relatively new, any insight into how positive the impact could be going forward for the growth of digital?

Edgar Bronfman

It's too early to say. Certainly Apple was the first to go April 7th, others have followed, so we are really only four or five weeks in. Not even all of the tracks that reflected new pricing were available at the new price April 7th. It's taken some weeks to get everything organized, so it really is still very early days, so I don't think we can give you any kind of an accurate projection.

Early indications, as we mentioned in the [talk track], are positive but beyond that, I think just too early. We'll have a much better sense of it for our next quarter's call.

Bishop Cheen - Wachovia

Thank you, Edgar.

Operator

Our next question comes from the line of Jessica Reif-Cohen from Merrill Lynch.

Jessica Reif-Cohen - Merrill Lynch

Thanks. If the Performance Rights Act does pass, can you give us a rough estimate of how meaningful this would be to you on an annual basis, or can you clarify what the royalty might be?

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