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Coinstar Inc. Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you, sir. (Operator Instructions). Your first question comes from Eric Wold – Merriman Curhan and Ford.

Eric Wold – Merriman Curhan Ford & Co.

Hey, it definitely won't be the same without you, Brian. So I guess a couple questions on Redbox. One, I guess looking at the EBITDA in the quarter, well I guess not Redbox, the EBD division, you had EBITDA on the quarter of about 19% or almost 19% versus last call you guided in the mid-teens. If that guidance to the mid-teens still holds what would kind of happen in the last three quarters of the year to drive it down to that level with the new machines this year versus what hasn't been happening obviously with the machines until last year?

Paul Davis

Yes, a good question. I'll take a stab at that. The primary driver of us keeping it fairly conservative to balance the year is the impact on previously viewed videos, so just as more and more DVDs make it into the market we'll pull those prices down slightly which impact how the profitability of the business. The other thing is just the additional operating costs tied to really strong push in the market with additional kiosks.

Eric Wold – Merriman Curhan Ford & Co.

And then a follow-up on that division, kind of update us on where you are with manufacturing capacity to get to the kind of 8,000 – 6,000 to 8,000 machines this year. What's needed to get done to get beyond that and kind of where you are in lining up second source?

Brian V. Winter

Sure, so manufacturing capacity is not an issue at this point. We have more than enough manufacturing capacity. We are lining up other alternatives so right now we see no issues in fulfilling the 6,000 to 8,000 for the year.

Eric Wold – Merriman Curhan Ford & Co.

Okay, if I might just one question then real quick and then I'll stick in the same division. Give us your general thoughts on the NCR acquisition of the new release and any implications there and kind of what your thoughts on their ability to kind of gain share in the market.

Paul Davis

Gregg Kaplan's with us today so I'll ask Greg to answer that question.

Gregg Kaplan

I think what we'd say is we – certainly NCR is a very strong company and we never want to take any competitor for granted. Having said that we're very, very confident in the installed base that we have, the relationships we have with the retailers, the dollar price point, the operational capabilities we've built and a whole list of other assets that have come about with seven years of learning.

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