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CAI International Inc. FY10 Guidance Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from the line of Jason Kupferberg – UBS

Jason Kupferberg – UBS

So congrats on the guidance increase here on the earnings side in particular, nice to see. Had a couple of questions around fiscal 2010, first off I wanted to get an understanding of your assumptions regarding the direct labor mix in fiscal 2010.

Tom Mutryn

It would probably be comparable to where it has been this year. On a quarterly basis it fluctuates a little bit, direct labor was anywhere between 40% and 42% of costs versus total direct costs and we anticipate that to be comparable going forward.

Jason Kupferberg – UBS

And then on the cash flow front, the \$130 in operating cash flow that you're forecasting for fiscal 2010 which as you mentioned is kind of flattish year over year, but you are growing your earnings in the neighbourhood of double-digit plus levels, so can you talk about why the cash flow growth might be lagging there a bit.

Tom Mutryn

What we're seeing through our government collection process is pockets of kind of slowdown in government payments, nothing material but a couple of days DSO here, a couple of days DSO here. This past third quarter we reported DSO close to 60 days which was extremely strong and we're very proud of that but I'm not sure of that's sustainable. I think a longer-term DSO would be in the mid 60's and so we're building in some expectations that there may be a slight increase in DSO again nothing to be alarmed about but there always fluctuations and so I think we'll be in fine shape.

Operator

Your next question comes from the line of Cai von Rumohr - Cowen and Company

Cai von Rumohr - Cowen and Company

You mentioned that you were moving three facilities into one facility, is that you're moving out of a leased facility into an owned facility, and give us some help in terms of understanding the P&L impact there, the savings.

Tom Mutryn

What we have is in our Chantilly and outside of Washington, DC in separate facilities where a good number of our workforce are located, and those facilities are all coming off of lease more or less simultaneously and we worked to structure those leases such that they would all line up. And we took advantage of those units coming off lease to move into a new facility. Everyone is in the same location.

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