Final Transcript

CLARKE AMERICAN: M&F Worldwide Earnings Call

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SPEAKERS

Christine Taylor – M&F Worldwide Corporation, Senior Vice President, Communications
Barry Schwartz – M&F Worldwide Corp, President and Chief Executive Officer
Paul Savas – M&F Worldwide Corp, Executive Vice President and Chief Financial Officer
Chuck Dawson – Harland Clarke Holdings, President and Chief Executive Officer
Pete Fera – Harland Clarke Holdings, Chief Financial Officer

ANALYSTS

Chris Carney - CRM
Chris Smith - SCM
David Sissman – Brightpoint Capital
Karim Babay – Foxhill Capital
Phillip Austern – Valinor
Deirdre Simon – Wilfred Aubrey

PRESENTATION

Moderator	Good morning, ladies and gentlemen and thank you for standing by. My name is Kent and I will be your coordinator for today. This call is being recorded. At this time I'd like to turn the call over to Christine Taylor, Senior Vice President, Communications, of M&F Worldwide Corporation.
C. Taylor	Thank you, Kent. Welcome to M&F Worldwide's 2008 Second Quarter and First Half Results Conference Call. M&F Worldwide, along with its wholly owned subsidiary Harland Clarke Holdings Corp, each reported results for the second quarter of 2008 in a press release issued on August 8, 2008. At this time all participants are in a listen-only mode. Later we will conduct a question and answer session. Instructions will be given at that time. As a reminder, this conference is being recorded and will be available for replay following the call.

Today's discussion will contain forward-looking statements that reflect management's current assumptions and estimates of future performance and economic conditions, which are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are subject to a number of risks and uncertainties, many of which are beyond M&F Worldwide's control. All statements other than statements of historical facts regarding M&F Worldwide's strategy, future operation, financial position, estimated revenues, projected cost, other projections, prospects, plans and objectives of management are forward-looking statements.

Joining us today are speakers, Barry Schwartz, President and Chief Executive Officer of M&F Worldwide; and Paul Savas, Executive Vice President and Chief Financial Officer of M&F Worldwide. Also joining us are Chuck Dawson, President and CEO of Harland Clarke Holdings; and Pete Fera, Executive Vice President and Chief Financial Officer of Harland Clarke Holdings. I would now like to turn the conference over to our host, Barry Schwartz, President and CEO of M&F Worldwide. Barry?

B. Schwartz Thanks, Chris. Welcome to M&F Worldwide's Earnings call for the second quarter and first six months of 2008. As demonstrated in the second quarter and first six months results, the business units operated by Harland Clarke Holdings, which include Harland Clarke, Scantron, and Harland Financial Solutions, continue to perform very well. The integration of the Harland acquisition's on track with our previously disclosed synergy target.

As we had previously announced, we completed the acquisition of Pearson's Data Management business on February 22, 2008. The purchase price for that acquisition was approximately $219 million in cash, after giving effect to working capital adjustments of $1.6 million, which were paid to Harland Clarke Holdings in July 2008. The Data Management business is being run by and integrated with our Scantron business and we are happy to report that the integration, from which we expect to derive substantial synergies, continues to proceed well.
Finally, our licorice product segment, operated by Mafco Worldwide, had another solid quarter, as demonstrated by its operating results. In addition, during the second quarter M&F Worldwide announced and successfully completed a share repurchase program for two million shares utilizing cash on hand at M&F Worldwide and its Harland Clarke Holding subsidiary.

Let me turn the call over now to Paul Savas, our Chief Financial Officer, to discuss our consolidated earnings, and after Paul, you'll hear from Chuck Dawson and Pete Fera. Paul?

P. Savas

Thank you, Barry. Let me begin by briefly touching on the second quarter results, which is the fourth full quarter reflecting the combined performance of the business since the Harland acquisition and the first full quarter of combined operations since the completion of the Data Management acquisition.

Consolidated net revenues for the second quarter of 2008 were $485 million, as compared to $366 million for the second quarter of 2007. M&F Worldwide's revenues increased by $119 million in the second quarter of 2008 primarily as a result of the Harland and Data Management acquisitions, which collectively accounted for $108 million of the increase. Net income for the second quarter of 2008 was $19.3 million, as compared to a net loss of $35.2 million for the second quarter of 2007.

The net income for the second quarter of 2008 includes pretax charges of $600,000, $400,000 after tax for non-cash fair value purchase accounting adjustments to deferred revenue and inventory related to the Data Management and Harland acquisitions, and $3.9 million, $2.4 million after tax, for restructuring costs. The net loss for the second quarter of 2007 includes non-recurring pretax loss on the early extinguishment of debt of $55 million, $34 million after tax, relating to the refinancing transactions completed in connection with the Harland acquisition. The net loss for the second quarter of 2007 also includes pretax charges of $8.6 million, $5.2 million after tax, for non-cash fair value purchase accounting adjustments to deferred revenue and inventory related to the Harland acquisition of $1.7 million, one million after tax for restructuring costs.

For the second quarter of 2008 adjusted EBITDA increased by $36 million to $126 million, as compared to $91 million for the second quarter of 2007 primarily as a result of the acquisitions of Harland and Data Management, which collectively accounted for $28 million of the increase. For the reconciliation of adjusted EBITDA to net income please see the M&F Worldwide press release issued on August 8, 2008. Basic and diluted earnings per share came in at $0.92 for the second quarter of 2008 compared to basic and diluted loss per share of $1.68 for the second quarter of '07.

Net revenues for the licorice product segment, operated by Mafco Worldwide, increased by $1.3 million, or 5%, to $27.5 million for the second quarter of '08, from $26.2 million for the second quarter of '07. Operating income was $10.2 million for the second quarter of '08 as compared to $8.3 million for the second quarter of '07. The increase in operating income of $1.9 million was mainly due to lower professional fees.

For the six months ended 2008 consolidated net revenues were $957 million, as compared to $557 million for the first six months of '07. The company's revenues increased by $400 million in the first six months of '08 primarily as a result of the Harland and Data Management acquisitions, which collectively accounted for $382 million of the increase. Net income for the first six months of 2008 were $32 million, as compared to a net loss of $26 million for the first six months of '07. Net income for the first six months of '08 include pretax charges of $2.2 million, $1.3 after tax, for the non-cash fair value purchase accounting adjustments to deferred revenue and inventory related to the Data Management and Harland acquisitions, and $5.3 million, $3.2 million after tax, for restructuring costs.

Net loss for the six months ended June 30th '07 include non-recurring pretax loss on the early extinguishment of debt of $55 million, $34 million after tax, related to the refinancing transactions completed in connection with the Harland acquisition.

Net loss for the six months ended June 30, '07, includes pretax charges of $8.6 million, $5.2 million after tax, for non-cash fair value purchase accounting adjustments to deferred revenue and inventory related to the Harland acquisition, and $2.9 million, $1.8 million after tax for restructuring costs.

For the first six months of '08, adjusted EBITDA increased by $106 million to $243.4 million, as compared to $136 million for the first six months of '07, primarily as a result of the acquisitions of Harland and Data Management, which collectively accounted for $96 million of the increase. For a reconciliation of EBITDA to net income, please see M&F Worldwide's press release issued on August 8, 2008.

Basic and diluted earnings per share came in at $1.50 for the first six months of 2008 compared to basic and diluted loss per share of $1.25 for the first six months of '07. Net revenues from the licorice product segment operated by Mafco Worldwide increased by $2.1 million, or 4%, to $55 million for the first six months of 2008 from $53 million for the first six months of 2007. Operating income was $20.1 million for the first six months of 2008, as compared to $18.5 million for the first six months of 2007. The increase in operating income of $1.6 million was mainly due to lower professional fees.

Now I'll turn it over to Chuck Dawson, President and CEO of Harland Clarke Holdings, to discuss our other business segments under Harland Clarke Holdings. Chuck?

C. Dawson Thanks, Paul. The second quarter of 2008 was a strong one for Harland Clarke Holdings Corp. We continue to successfully integrate the Harland businesses we acquired in May of 2007, along with the Data Management businesses we acquired in February of this year. During the integration efforts we have been committed to providing the same level of service and responsiveness that our clients have expected historically. It is a testament to the strength and commitment of our employees that we continue to meet our client expectations while we integrate the companies.

We are pleased to report that we are on track to achieve the $112.6 million cost reduction target previously disclosed in connection with the Harland acquisition. As a result of these cost reductions Harland Clarke Holdings has realized significant EBITDA improvement as well. Through June 30, 2008, Harland Clarke Holdings has taken actions to achieve approximately $102.3 million of its Harland acquisition related synergy target and has realized approximately $19.6 million of EBITDA improvement in the second quarter of 2008 and approximately $36.9 million for the first six months of 2008 as a result. Revenues and adjusted EBITDA for Harland Clarke Holdings in the second quarter of 2008 grew substantially as a result of the Harland and Data Management acquisitions.

For the second quarter of 2008 revenues increased by $117.8 million to $457.4 million, compared to $339.6 million for the second quarter of 2007. In the second quarter of 2008 adjusted EBITDA increased by $34 million to $119.1 million, from $85.1 million in the second quarter of 2007. I'll now turn it over to Pete Fera, CFO of Harland Clark Holdings, to review the consolidated results of Harland Clarke Holdings in more detail.

P. Fera Thanks, Chuck. As a reminder, in addition to the results reported in the M&F Worldwide press release, Harland Clarke Holdings also reported consolidated second quarter and first six months of 2008 results in our press release issued on August 8, 2008. As Paul mentioned previously, our second quarter results reflect the fourth full quarter of combined performance since the completion of the Harland acquisition and the first full quarter of combined operations since the completion of the Data Management acquisition.

Consolidated net revenues for the second quarter of 2008 were $457.4 million as compared to $339.6 million for the second quarter of 2007. Harland Clarke Holdings revenues increased by $117.8 million in the second quarter of 2008, primarily as a result of the Harland and Data Management acquisitions, which collectively accounted for $107.9 million of the increase.

Net income for the second quarter of 2008 was $14.6 million, as compared to a net loss of $37.5 million for the second quarter of 2007. The net income in the second quarter of 2008 includes pretax charges of $0.6 million, $0.4 million after tax due to non-cash fair value purchase accounting adjustments to deferred revenue and inventory related to the Data Management and Harland acquisitions and $3.9 million, $2.4 million after tax, for restructuring costs.

The net loss for the second quarter of 2007 includes a non-recurring pretax loss on early extinguishment of debt of $54.6 million, $34.1 million after tax, related to refinancing transactions completed in connection with the Harland acquisition. The net loss for the second quarter of 2007 also includes pretax charges of $8.6 million, $5.2 million after tax for non-cash fair value purchase accounting adjustments to deferred revenue and inventory related to the Harland acquisition and $1.7 million, one million after tax, for restructuring costs.

For the second quarter of 2008 adjusted EBITDA increased by $34 million to $119.1 million, as compared to $85.1 million for the second quarter of 2007, primarily as a result of the acquisitions of Harland and Data Management, which collectively accounted for $27.8 million of the increase. For a reconciliation of adjusted EBITDA to net income, please see the Harland Clarke Holdings press release issued on August 8, 2008.

Net revenues from the Harland Clarke segment increased by $52.7 million, to $329 million for the second quarter of 2008, from $276.3 million in the second quarter of 2007, primarily as a result of the Harland acquisition, which accounted for $49.5 million of the increase. The remaining $3.2 million of the increase was primarily due to higher revenues per unit partially offset by a decline in units.

Operating income for the Harland Clarke segment increased to $63.1 million for the second quarter of 2008, from $44 million for the second quarter of 2007, primarily as a result of the Harland acquisition, which accounted for $10.2 million of the increase. The remaining $8.9 million was largely related to growth in revenue and cost reductions in labor and facilities expenses, more than offsetting increased integration-related costs.

Net revenues from the Harland Financial Solutions segment increased by $28.7 million, to $73.9 million for the second quarter of 2008, from $45.2 million in the second quarter of 2007, primarily as a result of the Harland acquisition, which accounted for $23.5 million of the increase. The remaining $5.2 million of the increase was primarily due to a $2.9 million difference in the fair value adjustment to deferred revenue and organic growth in the risk management and enterprise solution product lines.

Operating income for the Harland Financial Solutions segment increased by $3.8 million to $6.4 million for the second quarter of 2008, from $2.6 million in the second quarter of 2007, partially as a result of the Harland acquisition, which accounted for $1.8 million of the increase. Operating income of the Harland Financial Solutions segment for the second quarter of 2008 includes pretax charges of $0.2 million, $0.1 million after tax for non-cash fair value purchase accounting adjustments to deferred revenue related to the Harland acquisition and $2.6 million, $1.6 million after tax, for compensation expense related to incentive agreement for the Peldec Assets purchase.

Operating income for the Harland Financial Solutions segment for the second quarter of 2007 includes pretax charges of $3.1 million, $1.9 million after tax, for non-cash fair value purchase accounting adjustments to deferred revenue related to the Harland acquisition.

Net revenues from the Scantron segment increased by $36.4 million, to $54.7 million for the second quarter of 2008, from $18.3 million in the second quarter of 2007, primarily as a result of the Data Management acquisition, which accounted for $25.8 million of the increase and the Harland acquisition, which accounted for $9.3 million of the increase. The remaining $1.3 million of the increase was primarily due to a $0.6

million difference in the fair value adjustment of deferred revenues and organic growth.

Operating income for the Scantron segment increased by $6.3 million, to $4.5 million in the second quart of 2008, from an operating loss of $1.8 million in the second quarter of 2007, partially as a result of the Harland acquisition, which accounted for $1.1 million of the increase, the Data Management acquisition, which accounted for $1.8 million of the increase and a decrease in non-cash purchase accounting adjustments. Operating income from the Scantron segment for the second quarter of 2008 includes pretax charges of $0.4 million, $0.3 million after tax, for non-cash fair value purchase accounting adjustments to deferred revenue and inventory related to the Harland and Data Management acquisitions.

Operating income for the Scantron segment for the second quarter of 2007 includes pretax charges of $3.8 million, $2.3 million after tax for non-cash fair value purchase accounting adjustments to deferred revenue and inventory related to the Harland acquisition.

Turning now to the results of the first six months of 2008, consolidated net revenues for Harland Clarke holdings were $901.9 million, as compared to $504.2 million for the first six months of 2007. Harland Clarke Holdings revenues increased by $397.7 million in the first six months of 2008, primarily as a result of the Harland and Data Management acquisitions, which collectively accounted for $381.7 million of the increase.

Net income for the first six months of 2008 was $21.8 million, as compared to a net loss of $32.4 million for the first six months of 2007. The net income in the first six months of 2008 includes pretax charges of $2.2 million, $1.3 million after tax, due to non-cash fair value purchase accounting adjustments to deferred revenue and inventory related to the Data Management and Harland acquisitions, and $5.3 million, $3.2 million after tax, for restructuring costs.

The net loss for the first six months of 2007 includes a non–recurring pretax loss on early extinguishment of debt of $54.6 million, $34.1 million after tax, related to refinancing transactions completed in connection with the Harland acquisition. The net loss for the first six months of 2007 also includes pretax charges of $8.6 million, $5.2 million after tax, for non-cash fair value purchase accounting adjustments to deferred revenue and inventory related to the Harland acquisition, and $2.9 million, $1.8 million after tax, for restructuring costs.

For the first six months of 2008 adjusted EBITDA increased by $103 million, to $226.5 million, as compared to $123.5 million for the first six months of 2007 primarily as a result of the acquisitions of Harland Data Management, which collectively accounted for $95.5 million of the increase. For a reconciliation of adjusted EBITDA to net income, please see the Harland Clarke Holdings press release issued on August 8, 2008.

Net revenues from the Harland Clarke segment increased by $220.2 million, to $661.1 million for the first six months of 2008, from $440.9 million in the first six months of 2007, primarily as a result of the Harland acquisition, which accounted for $210.9 million of the increase. The remaining $9.3 million of the increase was primarily due to higher revenues per unit partially offset by a decline in units.

Operating income for the Harland Clarke segment increased to $116.4 million for the first six months of 2008, from $67.4 million for the first six months of 2007, primarily as a result of the Harland acquisition, which accounted for $38.1 million of the increase. The remaining 10.9 million of the increase was largely related to growth in revenue and cost reductions in labor and materials and facilities expenses more than offsetting increased integration-related expenses.

Net revenues from the Harland Financial Solutions segment increased by $99.9 million, to $145.1 million for the six months ended June 30, 2008, from $45.2 million in the six months ended June 30, 2007, primarily as a result of the Harland acquisition, which accounted for $94.8 million of the increase. The remaining $5.1 million of the increase was primarily due to a $2.9 million difference in the fair value adjustment to deferred revenue and organic growth in the risk management and enterprise solutions product lines.

Operating income for the Harland Financial Solutions segment increased by $10.2 million, to $12.8 million for the six months ended June 30, 1008, from $2.6 million in the six months ended June 30, 2007, primarily as a result of the Harland acquisition, which accounted for $8.2 million of the increase. Operating income for the Harland Financial Solutions segment for the six months ended June 30, 2008 includes pretax charges of $1.2 million, $0.7 million after tax, for non-cash fair value purchase accounting adjustments to deferred revenue related to the Harland acquisition, and $5.1 million, $3.1 million after tax, for compensation expense related to an incentive agreement for the Peldec Assets purchase.

Operating income for the Harland Financial Solutions segment for the six months ended June 30, 2007, includes pretax charges of $3.1 million, $1.9 million after tax, for non-cash fair value purchase accounting adjustments to deferred revenue related to the Harland acquisition.

Net revenues from the Scantron segment increased by $78 million to $96.3 million for the six months ended June 30, 2008, from $18.3 million in the six months ended June 30, 2007, primarily as a result of the Harland acquisition, which accounted for $40 million of the increase and the Data Management acquisition, which accounted for $36.6 million of the increase. The remaining $1.4 million of the increase was primarily due to a $0.3 million difference in the fair value adjustment to deferred revenues and organic growth.

Operating income for the Scantron segment increased by $12 million to $10.2 million in the six months ended June 30, 2008, from an operating loss of $1.8 million in the six months ended June 30, 2007, primarily as a result of the Harland acquisition, which accounted for $5.6 million of the increase, the Data Management acquisition, which accounted for $3.1 million of the increase, and a decrease in non-cash purchase accounting adjustments.

Operating income for the Scantron segment for the six months ended June 30, 2008, includes pretax charges of one million, $0.6 million after tax, for non-cash fair value purchase accounting adjustments to deferred revenue and inventory related to the Harland and Data Management acquisitions. Operating income for the Scantron segment for the six months ended June 30, 2007, includes pretax charges of $3.8 million, $2.3 million after tax, for non-cash fair value purchase accounting adjustments to deferred revenue and inventory related to the Harland acquisition.

Cash generation for Harland Clarke Holdings during the second quarter of 2008 included $54.5 million of cash generated from operating activities. As of June 30, 2008, cash and cash equivalents were $25.3 million. Total debt was approximately $2.4 billion. We had $20 million drawn on our revolver and $69.6 million of availability under our revolver, taking into account $10.4 million in outstanding letters of credit.

As previously announced the recent acquisition in February 2008 of Data Management, for approximately $219 million in cash after giving effect to working capital adjustments of $1.6 million, which were paid to Harland

Clarke Holdings in July 2008, was financed with cash on hand at Harland Clarke Holdings. In addition during the second quarter of 2008 Harland Clarke Holdings paid a dividend of $65 million to M&F Worldwide, which was used for M&F Worldwide's share repurchase program.

In the second quarter of 2008, capital expenditures were $14.2 million, which includes $7.5 million related to integration projects, and we made $3.2 million of contract acquisition payments to financial institutions. For the first six months of 2008 capital expenditures were $26.7 million, which includes $14.8 million related to integration projects, and we made $22.3 million of contract acquisition payments to financial institutions.

Now I'll turn the call back to Barry for concluding remarks. Barry?

B. Schwartz — As Paul, Chuck and Pete reported, we, in each of our operating companies continue to demonstrate strong results. We will continue to focus on integrating acquired businesses and building existing businesses through organic growth and opportunistic acquisitions. Thanks for joining us on the call. I'll now turn it back to the operator for your questions.

Moderator — Thank you and we would like to remind you that the question and answer session will contain forward-looking statements that reflect management's current assumptions and estimates of future performance and economic conditions, which are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are subject to a number of risks and uncertainties, many of which are beyond M&F Worldwide's control. All statements other than statements of historical facts regarding M&F Worldwide's respective business segment strategy, future operations, financial position, estimated revenues, projected costs, projections, prospects, plans and objectives of management are forward-looking statements.

And our first question this morning comes from the line of Chris Carney with CRI. Please go ahead.

C. Carney — Hello. Would you be able to give me an idea of what the Data Management segment did in EBITDA for this quarter?

P. Savas — Yes, I think in the disclosure in the earnings release that the adjusted EBITDA was approximately $5 million incremental impact for prior year so that gives you a pretty good sense for what the EBITDA impact was.

C. Carney — Got you. And earlier on the call you mentioned that you expected substantial synergies from Data Management. Could you maybe define substantial, just like a ballpark? Are those synergies on the cost side or did they include revenue-type of synergies? Can you give any more detail on that?

P. Savas — Again, substantial synergies relative to the size of that business. We view the synergies largely on the cost side and we're doing a lot of the same thing where we receive synergies through the Harland acquisition.

C. Carney — So we could use the Harland acquisition maybe as a model in terms of synergies that maybe you were able to take out as a percentage of total operating costs?

P. Savas — I wouldn't use a straight percentage off the Harland model. I would think about the cost saves in the same types of areas where we … to generate them.

C. Carney — And then are there any limitations in terms of using your cash to make additional repurchases of stock? Is there anything in your credit agreement that puts a cap on the cash that would be available to buy back stock?

P. Savas — At M&F Worldwide we do not have a limitation on buying back, on how much stock we can buy back. There are limitations in the credit agreement of Harland Clarke and the indentures as to how much cash can freely flow up to M&F Worldwide.

Moderator — Thank you. We're going to go to the next question and that question comes from the line of Chris Smith with SCM Advisors. Please go ahead.

C. Smith — Thanks, good morning. Can you update us, I guess following on the last caller's question, what the restrictive payment basket is at Harland Clarke as per the indenture, on indentures?

P. Fera — I don't have that number in front of me at this point, but the calculations are all publicly disclosed through that document.

C. Smith — I kind of did a back-of-the-envelope quick calculation. Is it kind of in the $30 million ballpark area, post the $65 million dividend?

P. Fera — Again, I don't have the number in front of me, I apologize.

C. Smith	Okay, I can follow up then. Second question, how confident are you in your ability to continue to offset volume declines in the check business with the increased revenue per unit going forward?
B. Schwartz	We have a history of being able to, through our product and services that we provide, looking at other revenue streams, of trying to offset those declines. Certainly the decline is there, but we'll continue to do everything we can to look at value to bring to our clients and their customers and what makes sense for them and be rewarded by that and continue to work through that as we have in the past.
Moderator	Thank you. We're going to move on to the next question and that comes from the line of David Sissman with Brightpoint Capital. Please go ahead.
D. Sissman	Good morning, congratulations on the quarter. It sounds like you're almost complete with your previously stated synergy target, which is great. Can you talk about how much of your costs in the past couple of quarters were one-time in nature, that were integration-related?
P. Savas	Integration-related costs, we haven't disclosed that number. I can tell you that the first quarter was certainly a significant amount of integration-related costs. In total we said that the costs to achieve the synergies were going to be $65 million with a large chunk of that occurring in 2008. The number that we have disclosed is that the integration-related capex has been about $15 million, pretty consistent Q1 to Q2 and I think that that gives you a pretty good sense for what the expenditures are tracking at. But we haven't disclosed that number. It has come down a little bit in Q2, though, as we indicated that it would.
D. Sissman	Can you talk about where you go from here in terms of cost savings, considering that you're almost complete with what you had planned to do?
C. Dawson	This is Chuck. Certainly we had a plan specifically addressing the integration of these two companies, Harland and Clarke. Obviously we have a history of taking out cost before this acquisition ever occurred and we'll continue to look at all the levers we can pull to continue to maximize our cost position.
D. Sissman	And in the Harland Clarke segment can you talk about where your organic growth is coming from between check-related and non-check businesses

and can you also talk about the selling environment within financial institutions these days?

C. Dawson Maybe I'll take the selling environment first. We continue to focus in the Harland Clarke business primarily on the FI financial institutions segment and continue to build our relationships, very strong relationships, continue to look for what they value and what their customers value. So I think from a selling point of view we'll continue to look at that. It is continuing to be a very competitive market out there. We continue to do very well, as I talked about before, delivering the quality and service that they've expected and continue to do that.

As far as our way to grow our revenue, here again, based on what IFI's value, we continue to come up with other products to bring to their customers either through the Web or through the phone channel, such as our expedited and trackable delivery, such as our fraud products, and we'll just continue to do those things and they let us know what's valuable to them and if it's something that we can deliver we do that.

Moderator We do have a question, then, from the line of Karim Babay with Foxhill Capital, please go ahead.

K. Babay Thank you, guys, congratulations. I have one quick question, as most of my other questions have been answered. You are obviously committing a substantial amount of cash and because of the limitation of the … holding company, what do you intend to do with the cash that you're going to accumulate on the balance sheet over the next two quarters?

B. Schwartz We'll continue to look for utilization of that cash in ways we think are most likely to enhance value for the company – internal growth, strategic acquisitions within the spaces we're in, perhaps outside the spaces we're in and other ways to enhance shareholder value.

K. Babay Obviously you operate out of three separate segments, you have the printing, you have the financial and you have the Scantron. It seems to me that the printing and the Scantron's are maxed out from the potential future acquisitions. Could we anticipate the next acquisitions to be within the financial services?

B. Schwartz I think it's difficult, if not impossible, for us to anticipate that for you, but the moment we find something worth talking about we'll let you know.

K. Babay — Thank you.

Moderator — We're going to go on to the question from the line of Phillip Austern with Valinor. Please go ahead.

P. Austern — Again, congratulations on a great quarter. I'm just wondering now that you're done with the repurchase, the two million share repurchase, can you give us an update to when's the next board meeting that you're going to discuss maybe doing another one and when we can hear about an update on that?

B. Schwartz — Phil, at every board meeting we talk about what we should be doing to enhance value for our shareholders. At the next board meeting that would be on the agenda as well.

P. Austern — Thanks, Barry.

Moderator — Our next question comes from the line of Deirdre Simon with Wilfred Aubrey. Please go ahead.

D. Simon — I'm trying to look at the synergies and trying to see how they hit the P&L. Can you give us any color on that because I'm looking, like for example, at cost of services over service revenues, the percentage of service revenue and it's basically flat quarter-over-quarter, and even year-over-year, well, year-over-year it's hard to say.

P. Fera — I think the best way to see the impact of the synergies is we have disclosed through investor conferences that we've gone to, what kind of a combined adjusted EBITDA is for the Harland Clarke Holdings company. In 2006 that number was about $346 million. You could find that in an 8K released, I think it was March 25, via Harland Clarke Holdings Corp. Today if you look at the second quarter adjusted EBITDA, which is a very comparable adjusted EBITDA number, it's about $119 million, $120 million. On an annualized basis and again, that's certainly indicating a forward-looking view here, but just on the Q2 number on an annualized basis we'll be about $475 million, $476 million. I think that's where you see the tremendous growth in the EBITDA from where these companies were on their own in 2006 to where we're kind of standing today.

I'll also add if you look at just the adjusted EBITDA sequentially for Harland Clarke Holdings Corp Q1 to Q2, you also see a fairly significant jump from about $107 million to $119 million and those are the adjusted EBITDA figures that we report in the earnings release on a quarterly basis.

D. Simon The way I see it the EBITDA margin has actually stayed fairly constant so that's why I'm wondering about the synergies. Where are the costs being taken out? I see growth, but I don't see margin expansion.

P. Fera I think if you go to that 8K filed via Harland Clarke Holdings you'll see that there has been a significant amount of EBITDA margin expansion as well because with a growth of $120 million or so EBITDA on a run rate basis, our revenues haven't grown that rapidly as well so there is a fair amount of margin expansion as well.

D. Simon So just in terms of color on how to project these cost savings into the P&L going forward, do you have any sort of advice?

P. Fera Again, we don't provide forward-looking guidance. There's certainly a lot of things that affect this business positively and negatively. I think the results from Q1 and into Q2 are certainly a good indication of how the business is performing at this point in time.

Moderator Thank you. That does conclude our question and answer portion for today and thank you for participating in today's M&F Worldwide's Second Quarter and First Half 2008 Results conference call. This call will be available for replay by dialing 1-800-475-6701 in the United States and 320-365-3844 internationally. The access code is 954347. It will begin today at 11:00 a.m. and will be available through August 27, 2008, at 11:59 p.m. You may now disconnect.