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Lance, Inc. Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Our first question comes from Jonathan Feeney – Wachovia Capital Markets, LLC.

Jonathan Feeney – Wachovia Capital Markets, LLC

I guess my first question is the convenience and gas channel Pepsi Co talked about a double digit decline in foot traffic. What percent of sales would you say convenience and gas was for you? And, did you see or feel the impact on the retail side of less volume there?

David V. Singer

It's about one eighth of our business in total and it was about flat for us in total sales.

Jonathan Feeney – Wachovia Capital Markets, LLC

Was that a disappointment versus your expectations Dave going in? Or, was that just about as you expected?

David V. Singer

We were up about – I think we were probably up 3% or 4% year-to-date so it's softer than the first quarter but it wasn't material to our expectations.

Jonathan Feeney – Wachovia Capital Markets, LLC

A big picture question here, you've done a lot of the work you said you were going to do taking out relative SG&A over the past couple of years only to sort of frustratingly give that back in gross profit. Now, I know you want to get margins back to the first half of 07 levels at the out margin lay but of course that's still – what I'm wondering is what's the kind of 09 and out long term gross margin level that's right for Lance do you think?

David V. Singer

What's going to happen because our mix of non-branded products is growing relative to the total and frankly in the environment we're in we expect pretty solid gains over the next couple of years in private brands, the gross margin because of that mix will decline modestly. However, it has a solid operating profit margins and we anticipate our profit margins over the next several years to grow

relative to where we were before this commodity spike. We're much more focused on not so much balancing the business growing them all because they all will help support growth in our operating profit margin.

Jonathan Feeney – Wachovia Capital Markets, LLC

Can you give us a rough sense in what the difference in gross margin between those two businesses is?

David V. Singer

It's more than two to one at the gross margin line.

Jonathan Feeney – Wachovia Capital Markets, LLC

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