Seeking Alpha

Furniture Brands International, Inc. Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Chad Bolen – Raymond James.

Chad Bolen – Raymond James

With this release you guys quantified the impact of the factory down time charges or expense in the second quarter of last year. Was there similar impact in Q3 and Q4 of last year and if so could you quantify that for us. More importantly what's a reasonable way to think about that going forward especially if we assume no real help from the broader economy?

Steve Rolls

There was a similar impact last year. We really haven't broken that out by quarter. I'm afraid I can't quite help you with that. The entire intent of what we're doing and of restructuring our manufacturing organization taking down some plants over time moving to double shifts is really geared toward avoiding this kind of occurrence in the future.

I really couldn't sit here today and tell you what that looks like if the economy really deteriorates further and gets ahead of us could we have more factory down time days, the answer is yes. We're taking fairly aggressive actions right now to try not to let that happen to us again.

Ralph Scozzafava

The name of the game now is to fill up our facilities. It's not a new strategy by any stretch of the imagination but we did make some tough choices last year and this year in reducing our overall footprint from a factory standpoint and we'll continue to evaluate as we go forward. That down time is just factory overhead that we can't absorb and at this point the name of the game is to get it filled.

Chad Bolen – Raymond James

If I've done my math correctly, which is admittedly sometimes a big if, SG&A excluding the items that you guys called out increased about $3 million sequentially despite sales being pretty substantially lower. Could you comment on what drove that and how do we think about that run rate for the balance of this year.

Steve Rolls

As you know, we're kind of in a transition period right now. One of the major efforts we have underway is to effectively get our SG&A down. As we do that we have severance costs that hit us so you've got what we call bubble costs, severance costs, redundant overheads, things that we need to get out and will get out but it's a transition period. Until we make those transitions and we're right in the middle of it our SG&A won't show significant improvement.