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The Bon-Ton Stores, Inc. Q1 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) Our first question comes from Reade Kem from Merrill Lynch.

Reade Kem – Merrill Lynch

Good morning everyone. I just wanted to follow up on the SG&A that was a much better result than I was looking for based on your previous guidance comments. So, I was just wondering, are the reductions in that line item found more in the store side or the corporate side, and going forward, would we expect to see a little bit of decline each quarter for the rest of the year?

Keith Plowman

Good morning, Reade, this is Keith. Yes, we do expect that we will continue to see the reduction in the expenses as we good forward. There is a mixture between stores and corporate. When we did the expense initiatives, the original \$33 million we talked about and we had talked at the fourth quarter of last year that our trend was running above \$9 million in that quarter, that we would exceed those savings. The majority of those costs initially were pulled out on the corporate side, the eliminations of private brand and merchandising stats as we consolidated operations and things like that, the marketing end, and brought the operations together. Now, we are realizing the savings also on the store side. So, we are getting some benefit there and getting some increased dollars in those savings. And as I stated earlier, we do expect that to continue. In the first quarter, inflation costs would have approximated somewhere between \$6 million and \$8 million. So, when you look at the decrease we have here, as you can see through the initiatives that essentially we offset that and brought ourselves to a net reduction in our SG&A expenses.

Reade Kem – Merrill Lynch

That's great. And the inflation costs that you referenced, that would be mostly areas like shipping and utilities and maybe some waiver.

Keith Plowman

Yes, that would be correct, Reade.

Reade Kem – Merrill Lynch

Okay. And then, I also wanted to ask you about inflation since that is obviously so topical these days just in terms of your sourcing programs, the time with which they may update you in terms of what

prices they want to see. Is that something that might become an issue later in the year or are those prices for your in-house brands more or less set early on? Do you have a lot of visibility?

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