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Pool Corporation Q1 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you sir. (Operator Instructions) Your first question comes from the line of Jeff Germanotta with William Blair.

Jeff Germanotta - William Blair

Good morning gentlemen.

Manuel J. Perez de la Mesa

Good morning Jeff.

Jeff Germanotta - William Blair

Your earnings guidance range of \$1.20 to \$1.50 is a little wider than usual. Could you perhaps shed a little insight into some of the key assumptions on the low side, some of the key assumptions on the high side?

Manuel J. Perez de la Mesa

Sure Jeff. There are three overwhelming or big variables here. One of those three variables, we have pretty much in check and that's the expense side. So we put that aside, the other two variables would be sales and gross margins. In the context of sales, the range is from flat to down 5% for the year and again the logic there are two-fold; one is relatively speaking, easier comps from June forward and second, the mix of business being weighted more towards mixed churn in the second and third quarters of the year. So that's one variable. The other variable is gross margin and as you know based on the reported results, we have 50 bits of pick up for the year but the difficult market environment, we are striving to sustain that as the year progresses but that is the second variable. When you put those variables together, it leads to exponentially a greater range than we would normally have and again, we are dealing an unprecedented at times and those two factors play together given these unprecedented times in terms of how the market behaves, in terms of our competitors ability and needs to move products to meet their own growing capital needs.

Jeff Germanotta - William Blair

And with respect to the gross margin, have you seen much in terms of a reaction from manufacturers, in terms of the support for our distribution and retail?

Manuel J. Perez de la Mesa

What's interesting is many facts to us I think are by and large cognizant of the fact that there is very limited price in the 50 and therefore, they are not going to sell more plumbs or for that matter, more chemicals because of the price being a little bit lower. So therefore, frankly they would be giving money away if they were to lower their prices. So there is really little to no movement on that part and it would not make any sense for them to do so.

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