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Aaron Rents, Inc. Q1 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you, we will now begin the question and answer session. (Operator Instructions)

Your first call is from the line of Arvind Bhatia from Sterne, Agee please proceed.

Arvind Bhatia - Sterne, Agee

Good morning, a couple of questions. First, did you give the number for same store sale that your stores that are two years or older and my second question is on gross margins. I noted that your rental gross margins were highest that I can remember, 64.5% in this quarter. Can you tell us what is going on there and then retail margins as well at Renco is pretty strong at thirty five – seven. We were looking for about 32.5 for the quarter. Help us understand both those costs and gross margins, how you are looking at them.

Gil Danielson

The comps for stores that open 24 months at the end of March were basically flat. It was like a negative .1%. So, it is basically a flat comp. As far as the margin improvement are concerned, it is our margin on our sales and also depreciation as a percentage of revenues has gone down or in other words the margins have improved. Certainly, a lot of that is just due to our stores and supply costs and certainly, it has been looked at very carefully over the last several years and we are getting some good product purchasing power from our vendors and that is slowly kind of working its way through the system.

I wouldn't look for a huge margin improvement from the depreciation and the cost of sales moving forward; but, I think there is still some opportunity that it will slightly improve in the next few quarters.

Ken Butler

Keep in mind, too, Gil, we are starting to see some benefit from increasing retail prices a year ago and we did have a good improve in our collection efforts. When you do this, you put more revenue in the store. We are right where we needed to be in our collections.

Gil Danielson

Yes, with the anniversary, about a year and a half now, I get the increase in the retail prices that are going to help a little bit.

Arvind Bhatia - Sterne, Agee

To the 64.5 you got this quarter, is that a good number to use ongoing?

Gil Danielson

I don't have that number right before me that you are using, but I think if you look at our cost and sales as a percentage of sales and our depreciation as a percentage of rentals that happened in this quarter, I think it will be comparable, both numbers will be comparable to the rest of the year.

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