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Coldwater Creek Incorporated Q4 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. (Operator Instructions). First, we'll go to Michelle Tan with UBS.

Michelle Tan - UBS

Great. Thanks. I just had a question on the cash flow plans for the year. I guess considering there is \$90 CapEx that you're talking about and a lower operating plan this year versus last year, you did \$50 million or so in operating cash flow here. Help us understand how this is going to play out through the year, what your peak seasonal borrowing looks like when that comes and when you expect to generate cash flow for the year?

Tim Martin

Yeah. I'd be happy to take that question for you. I think the first component of it is taking a look at the ending balance in cash for fiscal 2007, that number is depressed by approximately \$37 million of prompt pay discounts. So with that, as we move through working capital, we'll start to turn off around.

Michelle Tan - UBS

Is that not showing up in the working capital, so because your working capital was down a lot for this year, right?

Tim Martin

It's actually reduction of cash and an inventory amounts. So it's a reduction of 80 and an increase of inventory and reduction in cash.

Michelle Tan - UBS

Okay.

Tim Martin

So, that's how that works. The gross number that Dan referenced in CapEx is gross of the tenant allowance, that actually also goes to working capital and is shown in our operating cash flow. So that is gross number when you look at that, you need to factor that into your models. And then the other component to consider as you look at our cash flow forecast is, as we're adding stores over the last few years and really recent growth in fixed assets, the incremental depreciation on a year-over-year

basis is a fairly large growth and so modeling that out will help you get basically the number that Dan referenced for cash.

Michelle Tan - UBS

And then out of your existing cash balance do have any exposure to any of these auction rate securities or anything that we should be concerned about in terms of being able to access I guess?

Tim Martin

We do not have any auction rate security investments.

Michelle Tan - UBS

Okay. Great. Thank you

Operator

(Operator Instructions). Moving on we'll go to Mark Montagna with C.L. King

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