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Papa John's International, Inc., Q4 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you, Sir. (Operator Instructions). Your first question comes from the line of Mark Smith with FELTL.

Mark Smith – Feltl and Company

Hi, guys. Just a couple quick questions today. First, can you talk about any trade down or trends that you saw with the consumer, particularly in December as casual dining was kind of suffering?

Nigel Travis

Okay. Mark, good morning. I think the answer is that, if I go back to October and November we kept believing we were going to see trade down and it was tough to decipher it. Having said that, I think we started to see discernable signs in December, which is the month you focused on, and I think that's continued. Clearly consumer being under pressure took the view that going out to dinner was an expensive operation, particularly with gas prices. I think it's true to say that the category in the early, well, the later part of the year was challenged, but undoubtedly given the pressures and pressure in casual dining there was trade down, but whether they all went to us has to be debateable. I mean, I mentioned in my remarks that frozen pizza seems to be continuing to grow. I also mentioned that consumers have a whole range of options for dinner. I think in fact all the home options that are available now seem to be growing in quality and quantity. So that makes it more challenging. Essentially I think the answer is yes, but it's not quite as straightforward as just saying yes or no.

Mark Smith – Feltl and Company

All right. Any changes that you've seen here in '08 here in the first quarter?

Nigel Travis

Sorry, could you say that again?

Mark Smith – Feltl and Company

Any change that you've seen now that we're in the first quarter of '08 here in January or February?

Nigel Travis

Well, I don't think there's been any significant changes from what we've seen. I think we detect, and this is just based on our own walking by and walking into restaurants, that some of the independents are beginning to take some of the costs out of their products. In fact, I think that will make it less attractive and I think there's some signs in the market share information we've received that the independents perhaps are struggling already this year, but they're struggling possibly because they reduced their quality. I mean, that's one of the reasons we're very focused on maintaining our quality. There's definitely compression in the (inaudible) category. That's been seen by the QSR staker as a whole. And obviously dinner is very important to us and that's something that we're concerned about. Another reason why we need to be very cautious about the outlook for the year.

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