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Barnes & Noble, Inc. Q1 2006 Earnings Conference Call Transcript (BKS)

Earnings Call Excerpt

Barnes & Noble, Inc. (BKS)
Q1 2006 Earnings Conference Call
May 18, 2006, 11:00 a.m. EST

Executives:

Joseph Lombardi, Chief Financial Officer, Barnes & Noble, Inc.
Steve Riggio, Chief Executive Officer and Vice Chairman, Barnes & Noble, Inc.
Marie Toulantis, Chief Executive Officer, Barnes & Noble.com

Analysts:

Mark Rowen, Prudential Securities
Cory McCallum, SunTrust Robinson Humphrey
David Weiner, Deutsche Bank
Matthew Fassler, Goldman Sachs
Danielle Fox, Merrill Lynch
David Schick, Stifel Nicolaus & Company, Inc.

Presentation

Operator

Good day, everyone, and welcome to this Barnes & Noble First Quarter 2006 Earnings Results Conference Call. Today's call is being recorded.

At this time, for opening remarks and introductions, I would like to turn the call over to the Chief Financial Officer, Mr. Joseph Lombardi. Please go ahead, sir.

Joseph Lombardi, Chief Financial Officer

Good morning and welcome to Barnes & Noble's first quarter 2006 conference call. Joining us today are Steve Riggio, Mitchell Klipper, Marie Toulantis and other members of the senior management team.

Before I begin, I would like to remind you that this call is covered by the Safe Harbor disclosure contained in our public documents, and is the property of Barnes & Noble. It is not for rebroadcast or use by any other party without the prior written consent of Barnes & Noble.

This morning before the market opened, we released our results for the first quarter, ended April 29, 2006. Consolidated sales for Barnes & Noble increased 2% to \$1.1 billion for the quarter. Sales at Barnes & Noble stores were up 2% to \$981 million. Comparable store sales decreased 0.3% for the quarter, below guidance which called for a low single-digit increase. Our comparable store sales were fairly consistent throughout the quarter with the exception of the last two weeks of April, at which point they trended lower, resulting in slightly negative comps for the full quarter.

In the first quarter, we opened eight Barnes & Noble stores and closed five, for a quarter-end total store count of 684. Comparable store sales at B. Dalton decreased 1.8% for the quarter, and now represent only about 2% of sales. We have closed five more B. Dalton stores this quarter, resulting in a total B. Dalton store count of 113. Sales at Barnes & Noble.com were \$91 million, flat with a year ago.

Our selling and administrative expense rate was 100 basis points higher as a percentage of sales this year. 40 basis points of this increase relates to this quarter's adoption of FAS 123(R) and the related expense associated with stock compensation costs. The remaining 60 basis point increase is a result of sales deleveraging. This unfavorable SG&A rate was completely offset by a 60 basis point margin increase.

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