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## A.T. Cross Company Q3 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

Thank you, sir. (Operator Instructions). We will take our first question from Eric Marshall with Hodges Capital Management.

#### Eric Marshall – Hodges Capital Management

On the Costa business in the quarter, you guys talked about organic growth of 11.6%. How much of that in market or geographical expansion and how much of it is from the premium core market?

#### David Whalen

Our both those regions are growing, the core market are growing right now roughly at about 9% to 10% rate and the market, and that we consider that basically a band that runs down from Virginia down to the East Coast through Florida and the South, of Texas. That area is growing in the 10% range and areas outside of that is growing in the 15% to 25% range.

#### Eric Marshall – Hodges Capital Management

Are you guys seeing very much progress on expanding Native distribution.

#### David Whalen

We believe there is a big opportunity with regard to that and we have 5 new products ready to go for Native to be really starting to be introduced to the market now for 2009. So we do expect more expansion in 2009 when we get our 2009 Anagrams together.

#### Eric Marshall – Hodges Capital Management

Okay. You guys address flowing to manufacturing part on the writing accessory business, but have you guys looked at taking any actions to lower cost in the sunglass eyewear division?

#### David Whalen

Well, one of the, we items have we worked on in the past for 3 to 4 months was lowering the cost base for the Native products. They were being produced in higher cost areas than the Costa business has been and we shifted a lot of that production to the low cost areas that Costa is in. That has improved Native margins going forward and then the fact that we are combining back off these

operations for both Native down in Daytona provide us more skill in our Daytona operation and that has resulted to lower cost for that division as well.

**Eric Marshall**

Okay. Even an obvious fact that the strong dollar is going to penalize sale here if it continues the way it is. You guys expect to take up any incremental benefits from your cost to goods sold given what the dollar spend recently?

**David Whalen**

Yes. It is not really our – right now the majority, we look at it from the Cross business. I think that is what you are referring to?for the Cross business. Our writing instruments that are made in our facility in China, substantial portion of those costs are raw material the labor and overhead that we spend over there is quite small. It is funded in local currency. Right now the majority of our raw material costs are purchased in dollars.

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