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Furniture Brands International, Inc., Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). Your first question comes from the line of Budd Bugatch with Raymond James.

Budd Bugatch - Raymond James

I am also in favor of more transparency, but I am confused. You have 13 more retail stores this quarter which you did call out as increasing the SG&A by some, I think, unspecified amount, you haven't clarified how much that increased revenues as you've taken retail revenues in place of wholesale revenues nor how that impacted gross margin, could we get some help on clarifying those items?

Steven G. Rolls

The closed stores Budd, so there were two pieces to that?

Budd Bugatch - Raymond James

Not the closed stores Steve. The existing stores, the stores that you're running, both closed and existing I guess, whatever went into revenues and to the numbers.

Steven G. Rolls

Let me just talk about the closed stores, those are stores just for everybody's edification that were owned by dealers, or I won't say owned, opened by dealers that we have lease guarantees for or sublet to those dealers. When those dealers went out of business, we took over those lease obligations. So those once we do that or when we know we're going to do that, we mark-to-market those lease obligations given the current economic environment unlikely to re-lease, sublet what have you those locations at the same rates that the obligation reflects. So, we mark those to market through a discipline kind of NPV calculation and we take those charges. There are some stores that were previously closed that we would have bought out of the leases. We're selectively looking at lease obligations if we can buy out of those at an economically reasonable price, we do that, and where we have done that, we've taken the further, I'll call it mark-to-market if you will, write-down on those obligations. So, those things comprise that closed store expense amount that we disclosed. So, help me again Budd?

Budd Bugatch - Raymond James

I'm not asking about the closed store expense, I'm asking about, on the \$412 million of revenues, how much are retail revenues and how much are wholesale revenues in that number. The character of the company is 13 stores more this year than last year according to what you said in your prepared remarks.

Steven G. Rolls

Okay Budd maybe I misunderstood your question.

Budd Bugatch - Raymond James

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