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EPL Group, Inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from John Kiani - Deutsche Bank.

John Kiani - Deutsche Bank

Regarding Slides 23 and 24 in your presentation, on Slide 23 and also it looks like on Slide 24 as well, where you show your expected equivalent gross margin, it appears that from what I'm seeing here in 2009 and also in 2010, the asset-based gross margin declined. It looked like 2009 declined about \$0.10 per share after tax and 2010 declined about \$0.21 per share after tax. And it looks like those were partially offset by about a \$0.04 after tax pick up in 2009, on the non-asset based businesses. And about a \$0.09 per share pick up in 2010 on the non-asset based businesses.

So two questions, first can you talk a little about what some of the offsets were that allow you to maintain and reaffirm your 2009 and 2010 guidance considering the fact that net of the asset-based business offset there is still a, it roughly looks like a \$0.07 decline in 2009 and a \$0.12 decline in 2010, on those two slides.

And then second, if you could talk about what the pickup is the non-asset based business I would appreciate it.

Armando Pimental

Let me first talk about what you picked up there on the difference, or the adjustment, on new asset additions and non-asset based businesses. That's really just a re-class. There is nothing more to that or nefarious about it. We looked over some of the detail and we actually believe that some of the information that we previously had in new asset additions really belonged in that bottom line.

And frankly, that non-asset based businesses, that is something that we may actually rename in the future because not everything that is in there is actually considered non-asset based. So that is just a re-class between the two. Whatever one decreased, the other one kind of went up.

To answer your bigger question, in 2009, we have got some slight reductions in some of the gross margin line items but nothing very significant, frankly. This thing is going to move around every quarter. There are going to be some puts and takes every quarter, even in situations I will talk about in a second in 2010.

When items are significantly hedged you might see some movement and you will see some movement because of basis positions and so on. What you don't see here, obviously, is what I call what is below the line, a whole bunch of items that are below the line.

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