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Colgate-Palmolive Company Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

Thank you. Today's question-and-answer session will be conducted electronically for the telephone audience. (Operator instructions) We'll take our first question of the day from Alice Longley with Buckingham Research.

Alice Longley – Buckingham Research

My question is about Latin America. I don't think this is clear from your comments. Are you anticipating operating margins to be up, down, or flat in 2009?

Ian Cook

Good morning, Alice, thanks for the question. As Bina said, we were very pleased with the continued strong performance of Latin America in the fourth quarter and when we look forward to 2009, we expect the top line to keep growing double digits from an organic point of view. And from an operating point of view, we do expect to see margin expansion in 2009 from 2008.

Alice Longley – Buckingham Research

Okay, excellent, thank you.

Ian Cook

Sure.

Operator

Next we'll go with Ali Dibadj of Sanford Bernstein.

Ali Dibadj – Sanford Bernstein

Hey guys, good morning.

Ian Cook

Good morning, Ali.

Ali Dibadj – Sanford Bernstein

I wanted to get a little bit more granularity if possible in the difference around the kind of split between pricing and volumes. So first off, how should we think about the pricing and volumes between oral care and non oral care, just to get a sense of elasticity between those two categories given that you are not mostly toothpaste. And then as part of that understanding a little bit more about the volume declines, were those driven do you think because of the pricing so there is elasticity in action there or because of just a slowdown in the consumer. So any help you can give us there would be instructive going forward.

Ian Cook

Yes, I think I used the word the last time, Ali, 'balance.' And obviously I think in the tumultuous times, we are all living and operating through one needs to find the right balance over the medium term between pricing and volume. And I think so far we have demonstrated an ability to do that with the maintained organic growth at 9%. So, when we think of that, I mean let's take the big picture going forward first, we obviously have pricing effects in 2009 as a component of that organic growth and that is a combination of rollover pricing already taken in 2008 and well implemented in the marketplace and pricing to be taken in 2009 some 90% of which is already effective in the marketplace. And relative to the volume impact of pricing, what we have seen empirically before, and Bina talked to, in the U.S. and with Asia is that when you take pricing, you usually see a category volume slowdown as the consumer de-stocks entry and then about a quarter later the consumer comes back into the category and that is how we have seen it play out and that's how we are thinking about it going forward.

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