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## Avon Products Inc. Q4 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

Thank you. (Operator Instructions) Your first question comes from Lauren Lieberman - Barclays Capital.

#### Lauren Lieberman - Barclays Capital

I hate to be a bit backward looking, because I appreciate all the help of how to think about '09 but I think there's been so much focus at least last quarter on would you or would you not have hit that GAAP operating margin goal for '08. So with the additional disclosure on the quarter about local currency profit grows, we're getting to something like that you could have had a 13% GAAP margin for the year had there been no currency impact in the quarter. And then assuming that your original budget assumes some benefit say comparable to the first three quarters, you might have been somewhere around 13.4ish.

Is that a reasonable way to think about it since it's a shortfall versus initial plan was maybe 40, 50 basis points, which would be completely understandable because of volume, any kind of last minute spending that you did to adjust to the sort of changes in the consumer environment?

#### Charles W. Cramb

I think so, Lauren. There's a lot of pieces to what you just said which makes it a little bit difficult to answer without sitting down and going through it, but as we said originally we were going to have a margin that we thought would be approaching 14 or been a little bit under. Exchange certainly hurt us. It was running somewhat favorable to our thinking, which helps us to do some things on incremental investment. I wouldn't put all the blame on exchange, though. We did not anticipate the macroeconomic conditions to be as strong or as negative as they were going into the latter half of the year.

But a big piece of it you're right is exchange, both in terms of the translation which I know you have pretty good visibilities toward, but also what we tend to call transaction which is the change in our costs because of the currency impact on them. So I think net net you're pretty much in the right ballpark.

#### Lauren Lieberman - Barclays Capital

And then if I think about '09, would the big difference between the non-currency hit to margins in Q4 versus the non-currency hits to margins in '09 be all of the things you've just kind of went

through in terms of proactive things you're doing to accelerate cost savings, because it sounds like that's what we're going to hear about at CAGNY, to help mitigate some of the impact from the macro-environment and the currency just sort of is what it is.

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