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Nu Skin Enterprises Inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Olivia Tong - Bank of America/Merrill Lynch.

Olivia Tong - Bank of America/Merrill Lynch

Margins were a lot better than I'd expected and I understand the selling expense portion. Can you provide a little bit more color on what you're doing to drive G&A lower?

Ritch N. Wood

Sure Olivia. Yes, I think the margin was something that we worked on for a long time so it's really – we're pleased with the direction that we're moving. In terms of selling expenses, we really kicked off an effort about three years ago to analyze all the various aspects of our incentive payout. And during 2008 a number of initiatives coming out of the study were implemented in markets all over the world. Really the focus is to maximize the payout and to maximize the benefit that we receive on the payout. And just work very effectively.

Truman mentioned the Wealth Maximizer which was one of those examples. Another objective is to focus, especially in this economic time, getting money to an early executive so they can be benefited and our retention rates go up. So that works very well. In terms of actual G&A expenses we've reduced our headcount by 25% over the last two-and-a-half years globally. So those benefits are really starting to pay off.

We're continuing to look for ways to refine our operating model and improve efficiency. We'll end up – the restructuring in Japan will adjust about 40% of our headcount down and again hopefully make us quite a bit more efficient there and focused on those things which are driving the business.

Olivia Tong - Bank of America/Merrill Lynch

On the G&A it looks like, you know, you've been doing this for like you said about two years now but you had been sort of at this 29 to 30% steady rate for G&A as a percentage of sales. But then in Q4 you're now sub 28%. So is there anything specific that hit Q4 more drastically than in previous quarters?

Ritch N. Wood

Not necessarily. You know our revenue was up a little bit. We only had a convention in the U.S. which was approximately \$2 million but no large convention related expenses. And I think just a steady, steady improvement over time has kind of gotten us to that level in the fourth quarter.

Olivia Tong - Bank of America/Merrill Lynch

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