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Lance Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator: (Operator Instructions). And your first question comes from the line of Heather Jones from BB&T Capital Markets, go ahead.

Heather Jones - BB&T Capital Markets

Good morning.

David Singer

Good morning Heather.

Rick Puckett

Good morning Heather.

Heather Jones - BB&T Capital Markets

Hi. Congratulations on the quarter, it was good to see.

David Singer

Thanks.

Heather Jones - BB&T Capital Markets

I had a couple of questions about your guidance. I was wondering you mentioned in the press release that it's going to be impacted by Archway higher promotional advertising expense and then other operational initiatives. I was wondering if you could walk us through that to get a sense of the magnitude of each of those?

David Singer

Yes, on the Archway side, as we integrate Archway we expect that to be dilutive in the first half of the year and then become accretive in the last half of the year. So the impact on our total guidance is not necessarily neutral. But it's not dilutive either, it's slightly accretive. As it relates to the DSD transformation, was that the other part of your question?

Heather Jones - BB&T Capital Markets

Right. So... because your commentary said negatively impacted by Archway, so it's not negatively impacted. It's just --

David Singer

In the first half. Yes.

Heather Jones - BB&T Capital Markets

But full year basis, it will be roughly neutral?

David Singer

Roughly neutral.

Heather Jones - BB&T Capital Markets

Okay. And then the promotional advertising and these operational initiatives?

Rick Puckett

From an operational initiative side, we... it's a continuous improvement piece. But as it relates to DSD transformation, that's a program that is very large and we're going to be rolling that out over the entire year. So, there will be some adjustments to our revenue as we look at and just going back to what DSD transformation is, just for a minute, its looking at customers in a very profitable way or with a profitable mindset. And there are certainly some customers that we are servicing today that are not large enough to be profitable.

So, we maybe eliminating some of those customers and moving them to other means of delivery, which could include distributors or it could include online, our Direct Connect online service. So that process will have some negative impacts on most of the year and we'll start to pay dividends in 2010.

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