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Saks Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). Your first question comes from the line of Michelle Clark from Morgan Stanley.

Michelle Clark - Morgan Stanley

Good morning.

Stephen Sadove

Good morning.

Michelle Clark - Morgan Stanley

Two questions, the first is if you look at your tables to inventory ratio; it went from 21% last year down to 12% this year. Just wondering what the key driver is behind that decline? And then the second question, would like to get your thought if things worsen beyond your expectations. Any thoughts on possible asset divestitures? Thank you.

Stephen Sadove

Kevin, do you want to talk about tables?

Kevin Wills

Sure, good morning, Michelle. The decrease in the AP leverage is principally due to the reduction in receipts this year versus last year that we initiated in the December and January period. As we noted earlier, in an effort to get our inventory move in line, we took the markdowns but we also reduced receipts. So you've got reduction this year versus last year and that's what's driving the decrease in leverage.

Michelle Clark - Morgan Stanley

Okay. But there is nothing there in terms of the relationships with vendors or tightening of terms?

Kevin Wills

No, we have not changed any terms with the vendors and their payable terms and vendor relations continue to be consistent with past practices.

Stephen Sadove

And I'd also comment that we feel very comfortable relative to the currency in the inventory. As it relates to the second question which is, if the environment were to continue to worsen, we've looked at any number of scenarios in terms of what happens to the environment, what happens if the trends are worsened, we have contingency plans. We look at expenses, we continue to look at receipts in this environment. In terms of asset sales there are really, we are not going to be selling our businesses. We certainly have unencumbered real estate that we always could take a look at. But I think that we are much more focused on the day-to-day operation of the business.

Michelle Clark - Morgan Stanley

Great. Well thank you and best of luck.

Kevin Wills

Thanks.

Operator

Your next question comes from the line of Deborah Weinswig from Citibank.

Deborah Weinswig - Citigroup

Good morning. Steve very impressed with your cost reduction efforts in 2009. Can you dive in some details in terms of what you're doing to reduce cost of procurement and also distributional logistics?

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