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Einstein Noah Restaurant Group Inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) Your first question comes from the line of Matt Difrisko - Oppenheimer & Co.

Matthew Difrisko - Oppenheimer & Co.

I guess just looking ahead on a little bit of guidance to kind of figure out how 2009 might look, was there anything you need to meet, commissary sales or manufacturing sales in the fourth quarter that might come back into the first quarter or with respect to that 91% cost of good sold, it looks like it was a little stronger than I guess you had in the past.

Richard P. Dutkiewicz

Yes, Matt this is Rick. Frankly, the commissary operations couple of things happened in the course of the year. We made some product changes at some of the commissary and actually got out of some business that we had done on a third-party basis and the store standpoint and in addition, we believe we have a really good team that is now managing both our manufacturing and commissary operations. They are very focused. They are focused on profitability and I think the final pieces that we are able to take some pricing in 2008 that also restored us to a profit standpoint.

Matthew Difrisko - Oppenheimer & Co.

Okay so that will be a profit centered then going forward and something that grows with the growth of the franchise network?

Richard P. Dutkiewicz

It absolutely grows with the franchise network and we think we got that shifts studied in. It has been generating nice profits.

Matthew Difrisko - Oppenheimer & Co.

Okay. I always thought about of something maybe close to running to zero given you are making a royalty rate as well but I guess it is okay to take a little price there.

Richard P. Dutkiewicz

Yes, it is.

Matthew Difrisko - Oppenheimer & Co.

Okay and then you said 2.75 is the debt ratio and you are at 2.2 right now.

Richard P. Dutkiewicz

That is correct.

Matthew Difrisko - Oppenheimer & Co.

The \$7.3 million that you had to pay that is already taken out of the \$24 million?

Richard P. Dutkiewicz

No, that is not. That was subsequent to yearend, Matt.

Matthew Difrisko - Oppenheimer & Co.

Okay, so you have \$17 million in cash and \$13 million in the credit facility level?

Richard P. Dutkiewicz

Well, adjusted for that date and time, that is correct. That is what the numbers were.

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