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Charming Shoppes, Inc. Q4 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Scott Krasik – C. K. King.

Scott Krasik – C. K. King

I missed some of the comments on the credit card file. Did you say what the net benefit to the income statement was in the fourth quarter, and I know you mentioned the lower average balances but what's the outlook in terms of where it goes from here?

Eric Specter

The comment I did make was for the full fiscal year where we did record a contribution which again, for those on the call, the contribution of our credit operations is an offset and reduction to our selling and general administrative expenses. I did mention that for the full year. It was slightly up from prior year of \$38.5 million. For the quarter we generated a little over \$7 million of credit contribution that's recorded in our fourth quarter. That was on our plans and for the fourth quarter, slightly below where we had recorded contribution from a year ago.

As far as the outlook, I'll only speak to right now as we delivered a first quarter outlook, we are seeing although slightly a very modest increases in our charge off rates. We were well within our plan for both the full year as well as the fourth quarter. Those slightly increased charge off rates are more than being offset by reductions in the credit card operating expenses as well as the interest and fee revenues that we're receiving off of the proprietary card file, and we expect that to continue as we move through the first quarter of the fiscal year.

Scott Krasik – C. K. King

I guess maybe talk about how quickly you think you can get back to acceptable gross margins at Fashion. Do you need to implement the vertical strategy or just with a merchandising changes, can you get there before that?

Jay Levitt

I would say that my focus has really been cleaning up the inventory and you could see in our fourth quarter results the impact of that and in terms of where we are on our carryover from a year ago, we're much cleaner and then it really comes down to the impact of our transformation initiatives. I think it's going to take some time and I'm confident that we'll get there.

Scott Krasik – C. K. King

This idea of what acceptable margins are, is that just tied to the vertical strategy or, because I'm sure that's going to take several years to fully implement.

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