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Pier 1 Imports, Inc. F4Q09 (Qtr End 2/28/09) Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Budd Bugatch - Raymond James.

Budd Bugatch - Raymond James

Alex, you've done a great job in reducing inventories down to that \$316 million level. Can you give us a flavor of the quality of the inventory now, of stores versus DCs, age of the inventory? Do you still have the over amount of clearance left in that inventory?

Alexander W. Smith

Budd, a couple of things on that. Of the \$100 million or so that we took out of inventory compared to last year, the vast majority of that came out of the DCs. So if you look at our average store inventory, it's really not substantially changed since this time last year. And that was really what we were trying to do, to keep the stores full and well merchandised and take the excess out of the DCs.

In terms of the complexion of our inventory, we monitor that very carefully and we have significantly less markdown in our total inventory at cost than we did this time last year.

Budd Bugatch - Raymond James

Do you have a feel that you want to disclose for how much the markdown costs fourth quarter or for 2008 totally?

Alexander W. Smith

No, not really. I mean, we discount our [inaudible] by two things, the promotional markdown and the markdown on slow-selling goods, and we don't really separate that out.

Budd Bugatch - Raymond James

You had said you would think this year merchandise margin will be higher than the 49% of last year. Do hazard to give us a feel of quantification of how high it might be? Will it be at the 52% level that you were getting in the first quarter?

Alexander W. Smith

I'll update you as we go through the year. It's kind of early days.

Budd Bugatch - Raymond James

On cash flow, Cary, thoughts about where cash flow might wind up for the year?

And just kind of a nit question on the geography of the gain on the repurchase of debt - does that move out of operating cash flow and into financing?

Charles H. Turner

Well, on the convert question, it's non-cash really. But we'll definitely be spiking that item out on a separate line.

In terms of cash flow, I think we have our internal budget but, as you know, it's dependent on many, many things. And right now I'm just not going to do that forecast now.

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