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The Hershey Company F1Q09 (Qtr End 04/05/09) Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Robert Moskow – Credit Suisse

Robert Moskow – Credit Suisse

On second quarter you told us that the tax rate is going to be very low. Is there some kind of a pull forward into first quarter and out of second quarter, can we expect you have 6.5% sales growth you're well ahead of your annual guidance. Could second quarter sales be negative based on that?

Bert Alfonso

I wouldn't read too much around the tax rate into the top line. What's happening is mostly related to the accounting requirements around FIN48 and the timing of certain tax events, the earnings recognition. We initially taken that into account when we talked in January we knew our tax rate would be somewhere in the 40% range with the computation if you want to call it that in the second quarter but with a 36% rate to the year.

There have been a couple things that have occurred that ticked the rate up a little bit more than the 40%, some state actions a little bit more state tax. It's mostly around our assessment of clients and the tax that will be recorded according to FIN48. It really isn't that far off from what we anticipated. A little bit higher in the first and about where we thought in the second. No relationship to the top line.

Dave West

The revenue in the first quarter we had a good Easter period which we knew we were going to have. The pricing pretty much as expected and then foreign exchange probably hurt us a little bit more than we would have thought but nothing that significantly meaningful. Then we had a little bit better volume on a couple of the different pack types particularly on king size and standard loose. The first quarter stands on its own, there's no timing effect across the quarter.

Robert Moskow – Credit Suisse

There's no pull forward of Easter sales into first quarter and out of second quarter.

Dave West

No, all the Easter was certainly shipped in the first quarter.

Robert Moskow – Credit Suisse

Can you break out first quarter a little bit more specifically for us how much was volume, how much was price and currency?

Dave West

Let me give you a little bit color on it. The pricing is pretty much as expected on the list price increase that we took an increase in the early part of last year, February of last year pretty much on standard bars and six packs then we took another price increase in August. Those things at list naturally flow through so that's probably a high single digit contributor if you will in the quarter in terms of sales. Foreign exchange as Bert said was about a 2.5 point to the top line headwind for us.

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